
MASTER FRAMEWORK AGREEMENT

September 22, 2015

BREWERS RETAIL INC.

AND

LABATT BREWING COMPANY LIMITED

AND

MOLSON CANADA 2005

AND

SLEEMAN BREWERIES LTD.

AND

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO

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MASTER FRAMEWORK AGREEMENT

THIS AGREEMENT is made as of September 22, 2015.

BETWEEN:

LABATT BREWING COMPANY LIMITED, a corporation governed by the laws of Canada ("**Labatt**"),

- and -

MOLSON CANADA 2005, a partnership governed by the laws of Ontario ("**Molson**"),

- and -

SLEEMAN BREWERIES LTD., a corporation governed by the laws of Canada ("**Sleeman**"),

- and -

BREWERS RETAIL INC. o/a THE BEER STORE, a corporation governed by the laws of Ontario (the "**Corporation**")

- and -

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO (the "**Province**"),

RECITALS:

- A. On June 1, 2000, the Corporation and the Liquor Control Board of Ontario (the "**LCBO**"), pursuant to the direction, authorization and agreement of the Province, entered into an agreement entitled "Serving Ontario Beer Consumers: A Framework for Improved Co-operation and Planning", by which the LCBO regulates and controls various aspects of the sale of Beer in Ontario.
- B. In 2014, the Premier's Advisory Council on Government Assets (the "**Council**") was charged by the Premier of Ontario to review certain assets of the Province and recommend ways to maximize their value to the people of Ontario.
- C. Prior to the subscription by other Qualifying Brewers for shares in the Corporation as contemplated by this Agreement, Labatt, Molson and Sleeman (the "**Original Owners**") owned all of the issued and outstanding shares in the capital of the Corporation.
- D. The Council made certain recommendations on April 16, 2015 to the Province to make changes to the regulation and control of Beer in Ontario, including to the retail and distribution system for Beer, following a negotiation with the Corporation and the Original Owners, at the direction and authorization of the Province, that resulted in the Council, the Corporation and the Original Owners entering into a non-binding statement

of principles entitled “Modernizing the Distribution of Beer in Ontario: Framework of Key Principles” (the “**Key Principles**”), which was accepted by the Province. The Key Principles were set out in an attachment to the Council’s report entitled “Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario”.

- E. The Key Principles are intended to enhance customer convenience, choice and shopping experience, while continuing to ensure that consumers in Ontario can purchase Beer at prices below the Canadian average, and to enhance the Beer retailing system for all Brewers selling Beer in Ontario.
- F. The Parties have entered into this Agreement to record their agreement as to the manner in which the Key Principles shall be implemented with the direction, authorization and agreement of the Province.

THEREFORE, the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Agreement, the following terms shall have the meanings set out below:

“**2000 Framework Agreement**” means the agreement dated June 1, 2000 entitled “Serving Ontario Beer Consumers: A Framework for Improved Co-operation and Planning” that was entered into between the LCBO and the Corporation at the direction, authorization and agreement of the Province of Ontario.

“**Act**” means the *Business Corporations Act* (Ontario).

“**Affiliate**” means, with respect to a party, any person, firm, corporation, partnership (including general partnerships, limited partnerships and limited liability partnerships), limited liability company, joint venture, business trust, association or other entity that directly or indirectly Controls, is Controlled by or is under common Control with such party.

“**Agreement**” means this Master Framework Agreement, including the Recitals and all Exhibits and Schedules, and all amendments or restatements as permitted, and references to “**Article**” or “**Section**” mean the specified Article or Section of this Agreement.

“**AGRPPA**” means the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (Ontario).

“**Articles of Amendment**” means the articles of amendment of the Corporation to give effect to the Capital Reorganization, substantially in the form of Exhibit A.

“**Beer**” has the meaning set out in the *Liquor Licence Act* (Ontario).

“Beer Ombudsman” means the independent beer ombudsman appointed from time to time by the majority of Independent Directors then in office pursuant to section 6.6 of the Shareholders Agreement.

“Board” means the board of directors of the Corporation constituted in accordance with the Shareholders Agreement.

“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.

“Capital Reorganization” means the reorganization of the share capital of the Corporation, whereby all of the shares in the capital of the Corporation, with the exception of the First Equity Shares, are to be converted into Second Equity Shares pursuant to an amendment of the articles of the Corporation.

“Combination Store” means the retail stores operated by the LCBO that offer for sale Beer in all common package formats at the locations set out in Schedule 1.1 and at any additional locations established by the LCBO in accordance with the provisions set forth in Section 6.7.

“Consumer Retail Price” refers to the prices at which Beer is sold to the retail consumers in Ontario.

“Control” means:

(a) in relation to a corporation, the beneficial ownership at the relevant time of shares of such corporation carrying more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of the corporation where such voting rights are sufficient to elect a majority of the directors of the corporation; and

(b) in relation to a Person that is a partnership, limited partnership, limited liability company or joint venture, the beneficial ownership at the relevant time of more than 50% of the ownership or voting interests of the partnership, limited partnership, limited liability company or joint venture in circumstances where it can reasonably be expected that the Person can direct the affairs of the partnership, limited liability company or joint venture;

and the words **“Controlled by”**, **“Controlling”** and similar words have corresponding meanings; the Person who Controls a Person shall be deemed to Control a corporation, partnership, limited liability company, joint venture or trust which is Controlled by such Person, and so on.

“Director” means a member of the Board.

“Eligible Qualifying Brewer” means a Qualifying Brewer that is (i) located or resident in the Province of Ontario and eligible to acquire First Equity Shares pursuant to the OSC Order, (ii) located or resident in a province or territory of Canada other than the Province

of Ontario and eligible to acquire First Equity Shares pursuant to an exemption from prospectus requirements generally available under the applicable securities laws of that province or territory or (iii) neither located nor resident in Canada and that is eligible to acquire First Equity Shares pursuant to an exemption from the prospectus, registration or qualification requirements applicable under the securities laws of the jurisdiction outside of Canada in which the Qualifying Brewer is located or resident.

“First Equity Shares” means the First Equity Shares in the capital of the Corporation, issuable in series.

“Grocery Stores” will have the meaning set forth in applicable regulations.

“Independent Director” has the meaning set out in the Shareholders Agreement.

“Licensee” means a Person holding a liquor sales licence issued under the *Liquor Licence Act* (Ontario).

“New Beer Agreements” means this Agreement, the Shareholders Agreement, the ODRP Agreement, the Provincial Rights Agreement and the Termination Agreement.

“ODRP Agreement” means the Amended and Restated ODRP Agreement, substantially in the form of Exhibit B.

“Original Owners” has the meaning set out in the Recitals.

“OSC Order” means the decision of the Ontario Securities Commission rendered on ●, 2015 in response to an application filed by the Corporation pursuant to section 74(1) of the *Securities Act* (Ontario) confirming that the prospectus requirement contained in section 53(1) of the *Securities Act* (Ontario) will not apply to the issuance, from time to time, of First Equity Shares to Qualifying Brewers located or resident in the Province of Ontario.

“Pack-up Pricing” means the sale of Beer at a price that is less than the price determined by the applicable Brewer and approved by the Regulator that results from a discount or rebate offered to consumers for the purchase of (a) multiple Six-Packs or more than six Single Containers or (b) in the case of the sale of Beer in Combination Stores, in Test Stores participating in the Pilot Program or in additional LCBO stores if paragraph (e)(i) of Schedule 6.4 applies, multiple Twelve-Packs or more than twelve Single Containers, or any combination of the foregoing.

“Parties” means, collectively, the Original Owners, the Corporation and the Province, and **“Party”** means any one of them.

“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.

“Production Year” means, in relation to a Sales Year, the 12-month period that ends on December 31 immediately before the beginning of the Sales Year.

“Provincial Rights Agreement” means the agreement between the Corporation and the Province substantially in the form of Exhibit C.

“Qualifying Brewer” means a Brewer that operates one or more facilities manufacturing Beer in Ontario, sells Beer Through the Corporation and satisfies the following criteria:

- (a) it has a valid Ontario manufacturing licence issued by the Regulator;
- (b) it has a valid Canadian manufacturing licence issued by the Canada Revenue Agency;
- (c) it conducts the full brewing process up to the point of packaging, including mashing, lautering, boiling, hop separation and fermentation, in its Ontario Beer manufacturing facilities; and
- (d) it either (A) does not produce Beer in any other jurisdiction or (B) its Ontario Beer manufacturing facilities have a minimum annual capacity of 10,000 hectolitres of Beer in the aggregate and a minimum annual production of 2,500 hectolitres of Beer in the aggregate.

“Regulator” means the LCBO, the Alcohol and Gaming Commission of Ontario and any other Ontario governmental authority or agent of the Province having jurisdiction over the sale, storage, distribution or consumption of beverage alcohol, or their successors.

“Sales Year” means a period of approximately 12 months:

- (a) that begins on March 1 in a year or, if March 1 is a Saturday or Sunday, that begins on the following Monday; and
- (b) that ends on the last day of February of the following year or, if the last day of February is a Friday or Saturday, that ends on the following Sunday.

“Second Equity Shares” means the Second Equity Shares in the capital of the Corporation.

“Shareholders Agreement” means the shareholders agreement relating to the Corporation, substantially in the form of Exhibit D.

“Single Container” means a bottle or can of Beer that includes a mechanism to indicate if the bottle has been tampered with (i.e., the single bottle is “tamper evident”).

“Six-Pack” means a SKU containing six or fewer Single Containers.

“**SKU**” means a stock-keeping unit (that is, a unit or package format in which Beer is sold, such as a Single Container, a Six-Pack, a Twelve-Pack, etc.) of an individual brand of a specific Brewer.

“**Small Brewer**” means, in respect of a Sales Year, a Brewer that meets each of the following qualifications in respect of the prior Production Year:

- (a) it has worldwide production of Beer in the previous Production Year that was not more than 400,000 hectolitres or, if this is the first Production Year in which it manufactures Beer, worldwide production of Beer for the Production Year that is not expected to be more than 400,000 hectolitres;
- (b) it is not a party to any agreement or other arrangement pursuant to which any Brewer that is not a Small Brewer manufactures Beer for it;
- (c) is not a party to any agreement or other arrangement pursuant to which it manufactures Beer for any Brewer that is not a Small Brewer; and
- (d) any Affiliate it has that manufactures Beer meets the qualifications set out in (a), (b) and (c) above.

For purposes of this definition:

- (e) the following will be included in determining the amount of a Small Brewer’s worldwide production of Beer for a particular Production Year:
 - (i) all Beer manufactured during the Production Year by the Small Brewer, including Beer that is manufactured under contract for another Brewer, whether or not that other Brewer is a Small Brewer;
 - (ii) all Beer manufactured during the Production Year by an Affiliate of the Small Brewer, including Beer manufactured by the Affiliate under contract for another Brewer, whether or not that other Brewer is a Small Brewer; and
 - (iii) all Beer manufactured during the Production Year by another Small Brewer under contract for the Small Brewer or for an Affiliate of the Small Brewer; and
- (f) an agreement or arrangement referred to in clause (b) of this definition does not include an agreement or arrangement that provides only for the final bottling or other packaging by a Brewer that is not a Small Brewer, including any incidental processes such as final filtration and final carbonation or the addition of any substance to the Beer that, if added, must be added at the time of final filtration.

The Board may on or before the date of this Agreement designate Qualifying Brewers, other than the Original Owners, to be Small Brewers for purposes of this Agreement. Once a Brewer qualifies as, or is so designated as, a Small Brewer it shall remain a Small Brewer for so long as it remains a Qualifying Brewer and does not become an Affiliate of

a Brewer that is not a Small Brewer. As of the date of this Agreement, the Board has designated each of Brick Brewing Co. Limited and Moosehead Breweries Limited to be a Small Brewer.

“**Standalone Outlet**” will have the meaning set forth in applicable regulations.

“**Term**” means the Initial Term and any Renewal Term.

“**Termination Agreement**” means the agreement, substantially in the form of Exhibit E, between the Corporation and the LCBO pursuant to which the 2000 Framework Agreement is terminated as at the Effective Date.

“**Through the Corporation**” means, when used in relation to sales of Beer, sales by a particular Brewer and its Affiliates (including domestic and imported Beer manufactured by, produced for or distributed by that Brewer and its Affiliates) through the Corporation to Licensees and retail consumers, and in respect of sales through the Corporation to the LCBO (including northern agency stores and retail partners), one-half of the volume of such sales, but for clarity excluding sales of Beer to or through New Outlets.

“**Twelve-Pack**” means SKUs containing twelve Single Containers.

1.2 Additional Definitions

- (a) Unless there is something inconsistent in the subject matter or context, or unless otherwise provided in this Agreement, all other words and terms used in this Agreement that are defined in the Act shall have the meanings set out in the Act.
- (b) Additional definitions used in this Agreement:

Definition:

Where Defined:

“**Annual Volume Cap**”

Schedule 6.5

“**Appeal Arbitration Tribunal**”

Schedule 8.1

“**Arbitration Tribunal**”

Schedule 8.1

“**Consultant**”

Schedule 6.4

“**Corporation**”

Page 1

“**Cost of Service Rebate**”

Schedule 6.5

“**Council**”

Recital B

“**Critical Breach**”

8.6(c)(iii)

“**Dispute**”

8.1(a)

“**Dispute Parties**”

8.1(b)

“**Effective Date**”

2.1

“**Final Annual Volume Cap**”

Schedule 6.5

<u>Definition:</u>	<u>Where Defined:</u>
“Final Award”	8.6(b)
“Initial Annual Volume Cap”	Schedule 6.5
“Initial Term”	8.4
“Key Principles”	Recital D
“Labatt”	Page 1
“LCBO”	Recital A
“LCBO Notice”	6.7(a)
“Molson”	Page 1
“NAFTA”	8.7(e)
“New LCBO Outlet Notice”	6.7(a)
“New Outlets”	6.5(b)
“Notice”	8.9
“Pilot Program”	Schedule 6.4
“Pooling-Eligible Brewer”	7.2
“Province”	Page 1
“Renewal Term”	8.4
“Sleeman”	Page 1
“TBS Average Service Fee”	Schedule 6.5
“Test Stores”	Schedule 6.4
“Twelve-Pack Study”	Schedule 6.4

1.3 Certain Rules of Interpretation

In this Agreement:

- (a) **Time** - Time is of the essence in the performance of the Parties’ respective obligations.
- (b) **Currency** - Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (c) **Headings** - Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (d) **Consent** - Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time period, then, unless otherwise specified, the Party whose consent or

approval is required shall be conclusively deemed to have withheld its consent or approval.

- (e) **Time Periods** - Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.
- (f) **Business Day** - Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following.
- (g) **Governing Law** - 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.
- (h) **Including** - Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.
- (i) **No Strict Construction** - 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.
- (j) **Number and Gender** - Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (k) **Severability** - 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.
- (l) **Statutory References** - 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.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to International Financial Reporting Standards as issued by the International Accounting Standards Board, applicable as at the date on which the relevant calculation or action is made or taken or required to be made or taken in accordance with such standards.

1.5 Agreement Binding

- (a) Each of the Corporation and each of the Original Owners represents and warrants that this Agreement constitutes a valid and legally binding obligation of it that is enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditors' rights and to the fact that equitable remedies are available only in the discretion of the court.
- (b) Subjection to Section (c), the Province represents and warrants that it has all necessary capacity, power and authority to enter into and to carry out the provisions of this Agreement and this Agreement has been duly authorized, executed and delivered by the Province and constitutes a legal, valid and binding obligation enforceable against the Province in accordance with the terms of this Agreement, subject to the qualifications on remedies against the Crown set out in the *Proceedings Against the Crown Act* (Ontario) and the courts' general discretion with respect to equitable remedies.
- (c) The Minister of Finance of Ontario or another Minister of the Crown will propose to the Cabinet and/or the Legislative Assembly of the Province any laws or other approvals deemed necessary or desirable to implement, monitor and enforce the provisions of this Agreement. Any statutory amendments so proposed shall be subject to approval by the Legislative Assembly of the Province. Nothing in this Agreement shall derogate from current or future legislative or regulatory authority under the *Liquor Control Act* (Ontario), *Liquor Licence Act* (Ontario), AGRPPA or any other statute or regulation of the Province, subject to the right of the Corporation and of the Original Owners to the remedies set out in Section 8.6 if legislative or regulatory changes result in a failure of the Province to meet its obligations under this Agreement.
- (d) The obligations of the Corporation and of the Original Owners pursuant to this Agreement are premised upon, and shall be conditional upon, the Cabinet and/or the Legislative Assembly of 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.

1.6 Recitals, Exhibit and Schedules

The Recitals to this Agreement, and the Exhibit and Schedules to this Agreement, as listed below, are an integral part of this Agreement:

Exhibit A	-	Articles of Amendment
Exhibit B	-	ODRP Agreement
Exhibit C	-	Provincial Rights Agreement
Exhibit D	-	Shareholders Agreement
Exhibit E	-	Termination Agreement

Schedule 1.1	-	Existing Combination Store Locations
Schedule 6.4	-	Pilot Program
Schedule 6.5	-	New Private Retail Outlets
Schedule 8.1	-	Arbitration Procedures

ARTICLE 2

IMPLEMENTATION OF THE KEY PRINCIPLES

2.1 Effective Date

The “**Effective Date**” of the New Beer Agreements shall be the date designated by Notice from the Province to the other Parties, provided that such Notice is delivered by the Province to the other Parties at least five Business Days prior to such date and provided further that the Effective Date shall not be prior to October 15, 2015.

2.2 Action to be Taken on or Prior to the Effective Date

- (a) Effective as of the Effective Date, the Parties shall enter into or cause to be entered into each of the following New Beer Agreements:
 - (i) the Shareholders Agreement;
 - (ii) the Termination Agreement;
 - (iii) the ODRP Agreement; and
 - (iv) the Provincial Rights Agreement.
- (b) Effective on or prior to the Effective Date, the Original Owners and the Corporation shall cause the Articles of Amendment to be duly authorized and filed and to become effective.

ARTICLE 3

ISSUANCE OF SHARES TO QUALIFYING BREWERS

3.1 Securities Regulatory Relief

- (a) The Corporation shall use reasonable commercial efforts to obtain, prior to the Effective Date, an appropriate exemption order from the Ontario Securities Commission that will permit the distribution of First Equity Shares to all Eligible Qualifying Brewers (as well as all communications with such Eligible Qualifying Brewers in furtherance of such distribution) on a basis that will not require compliance with the prospectus and registration requirements of Ontario securities laws.
- (b) The Corporation shall keep the Province informed as to the progress of its efforts pursuant to Section 3.1(a) and shall provide the Province and its advisors with opportunities to comment and provide input throughout such

process. The Province will cooperate with the Corporation in its dealing with the Ontario Securities Commission in obtaining such exemption order.

3.2 Subscription by Eligible Qualifying Brewers for First Equity Shares

- (a) The Corporation shall provide Eligible Qualifying Brewers during the period prior to the Effective Date with the opportunity to subscribe for 100 First Equity Shares each, effective as of the Effective Date, and shall provide such Eligible Qualifying Brewers with all reasonable information in a timely way to enable each Eligible Qualifying Brewer to evaluate the opportunity to so subscribe for First Equity Shares and to complete such subscription prior to the Effective Date.
- (b) The Corporation shall keep the Province informed as to the progress of the subscriptions contemplated by Section 3.2(a) and shall provide the Province and its advisors with opportunities to comment (including on the materials to be provided to Qualifying Brewers as contemplated by Section 3.2(a)) and provide input throughout such process.
- (c) After the Effective Date, the Corporation shall provide Qualifying Brewers from time to time with the opportunity to subscribe for 100 First Equity Shares each.

ARTICLE 4 INFORMATION AND REGULATORY MATTERS

4.1 Information for the Public

The Corporation shall make the following information available to the public on its website in a timely manner:

- (a) the audited annual financial statements of the Corporation for and as at the end of each financial year, prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by an audit report of the auditor of the Corporation;
- (b) the Corporation's annual operations report, prepared on a basis that provides no less information than has been consistent with recent past practice, which shall include details of the amount and use of capital expenditures incurred in the year to which such report relates;
- (c) any policies adopted by the Board that give effect to any of the provisions of the Key Principles; and
- (d) the composition and mandates of the Board and the committees of the Board, as they exist from time to time.

4.2 Regulatory Matters

- (a) The Corporation shall continue to follow compliance protocols to ensure the manner in which it operates is in compliance with applicable laws.
- (b) The Regulator is and will be empowered to require additional disclosure from the Corporation, and to monitor, investigate, audit and enforce applicable legislation and regulations and the Regulator's policies in place from time to time, including compliance with social responsibility requirements, in order to ensure compliance with the New Beer Agreements.

4.3 Information for the Province

At the request of the Province at any time and from time to time, the Corporation shall provide to the Province (which in no event may include the LCBO) any information that has been made available to Directors. Unless such information is subject to privilege, the Corporation shall provide such information to the Province within 15 Business Day of such request. The Corporation shall retain the right to prevent the disclosure of any information that is subject to the *Freedom of Information and Protection of Privacy Act* (Ontario) pursuant to the protections afforded by that Act.

ARTICLE 5 GOVERNANCE AND OPERATIONS OF THE CORPORATION

5.1 Independent Directors

No amendments shall be made to the Shareholders Agreement that would:

- (a) change the qualifications that Independent Directors are required to meet;
- (b) change the manner in which Independent Directors are nominated, elected, removed or replaced;
- (c) alter or affect the roles, responsibilities, rights or obligations of the Independent Directors; or
- (d) otherwise modify the provisions of the Shareholders Agreement to the extent that they relate to the Independent Directors;

without the approval in writing of the Province.

5.2 Beer Ombudsman

There shall be an independent Beer Ombudsman, who shall be appointed from time to time by the majority of the Independent Directors then in office. The Beer Ombudsman shall hear complaints from Brewers and customers regarding operational matters. The reasonable compensation and expenses of the Beer Ombudsman shall be paid by the Corporation.

ARTICLE 6

BENEFIT FOR ONTARIO CONSUMERS

6.1 Customer Experience

- (a) The Corporation shall improve the customer experience across its retail network, including by converting stores to more modern retailing formats such as self-serve, open concept formats, and shall ensure that all newly built stores shall have self-serve, open concept formats.
- (b) The Corporation shall spend at least \$100,000,000 from 2015 through 2018 on capital expenditures (not less than \$80,000,000 of which shall be in respect of retail stores), which may be funded through the sale of existing assets of the Corporation.

6.2 Other Channels

The Corporation shall not impose any restrictions on the retail, distribution or marketing channels that Brewers may use and shall not penalize Brewers who use such channels outside the Corporation. For clarity, this would not apply to policies that the Corporation may adopt from time to time with respect to the use of its keg pool and similar owned assets.

6.3 Sale of Beer in Ontario

The Province shall ensure that, during the Term, Beer is not authorized for sale or distribution within the Province of Ontario except by or through the Corporation, the other stores referred to in clauses (i) through (v) of paragraph (b) of Schedule 6.5 and New Outlets, as contemplated by the New Beer Agreements.

6.4 LCBO

- (a) The Province shall direct the LCBO not to, at any time during the Term: (A) sell Beer in its stores, other than in Combination Stores, in formats larger than Six-Packs (with the exception of the one 8-unit SKU currently carried by LCBO stores that are not Combination Stores) or (B) provide Pack-up Pricing in LCBO stores that are not Combination Stores, subject to the Pilot Program outlined in Schedule 6.4. However, the LCBO shall not be prohibited from providing customers with the means to carry more than six Single Containers together.
- (b) Notwithstanding Section 6.4(a), if paragraph (e)(i) of Schedule 6.4 applies, then the Province shall direct the LCBO not at any time during the Term to carry Twelve-Packs in more than 60 retail stores (excluding Combination Stores) and, with respect to such 60 retail stores, to prioritize stores that are at least two kilometers from the Corporation's stores.

6.5 New Private Retail Outlets

- (a) Subject to Section 6.5(b), the Province may authorize new private retail outlets (in addition to the second onsite stores referred to in Section 6.8) to sell

beverage alcohol to retail consumers. For greater clarity, these new private retail outlets will not be authorized to sell beverage alcohol to a Licensee.

- (b) These new retail channels shall be limited to 450 new retail outlets operating in Grocery Stores or as Standalone Outlets (“**New Outlets**”). No more than 150 New Outlets shall be in operation before May 1, 2017. The New Outlets shall be subject to the provisions set out in Schedule 6.5.

6.6 LCBO Cost of Service Charges

The Province shall direct the LCBO that, during the Term, (i) LCBO in-store and out-of-store cost of service charges on Beer shall be at current 2015 rates, indexed to inflation in subsequent years, (ii) the LCBO mark-up shall be equal to the taxes for domestic Beer under AGRPPA and (iii) all LCBO cost of service charges shall be the same for all Brewers for the same service.

6.7 Other LCBO Matters

With effect from and after the Effective Date, the Province shall direct the LCBO to follow the procedures set out below during the Term:

- (a) If the LCBO wishes to open a new LCBO owned and operated retail outlet selling Beer in a community where the Corporation does not operate its own retail outlet (including a community in which the LCBO has an agency store that the LCBO is considering replacing with its own retail outlet), then the LCBO will provide the Corporation with prior notice in writing (an “**LCBO Notice**”) of such intention. The Corporation will have 90 days from the date of any LCBO Notice to advise the LCBO by notice in writing (a “**New LCBO Outlet Notice**”) that it intends to open a retail outlet of the Corporation in the same community. If the Corporation does not provide a New LCBO Outlet Notice in response to an LCBO Notice, or it provides such a New LCBO Outlet Notice but fails to begin construction of the Corporation’s retail outlet within 1 year of the date on which such New LCBO Outlet Notice was provided to the LCBO or such construction is not completed diligently and the new retail outlet of the Corporation opened within a reasonable period, the LCBO may construct or acquire and operate the retail outlet that was the subject of such LCBO Notice and such new LCBO retail outlet may sell the full range of Beer pack formats at the full range of price points (i.e., it will be and remain a Combination Store) whether or not the Corporation subsequently opens a retail outlet in the same community. If the Corporation provides a New LCBO Outlet Notice in response to an LCBO Notice, begins construction of the Corporation’s retail outlet within 1 year of the date on which such New LCBO Outlet Notice was provided to the LCBO and such construction is completed diligently and the new retail outlet of the Corporation opened within a reasonable period, any LCBO store established in that community shall be subject to Section 6.4(a).
- (b) Any existing LCBO Combination Stores (i.e., the 167 Combination Stores in operation as of April 1, 2015) may continue to sell the full range of Beer pack formats at the full range of price points (i.e., remain a Combination Store)

whether or not the Corporation subsequently opens a retail outlet in the same community.

- (c) The LCBO will not sell to Licensees any Beer product listed for sale through the Corporation, including products that are sold through both the Corporation and the LCBO.
- (d) The Province acknowledges and agrees that the following will continue to apply with respect to agency relationships (provided that this will not limit any new agency relationships entered into in connection with the New Outlets contemplated in Section 6.5):
 - (i) The Corporation will retain the right to enter into commercial contracts with agents in southern Ontario regarding the sale of domestic Beer listed for sale through the Corporation, including the setting of commissions on Beer sales and handling fees for the return of empty containers (including in relation to the ODRP Agreement).
 - (ii) The financial arrangements applicable to agents in northern Ontario will remain unchanged (i.e., the LCBO will continue to apply its cost of service charge to such agents and fund the discount paid to such agents) and the Corporation will continue to act as the delivery agent for such agents, with the cost of freight shared with the LCBO.
 - (iii) The geographic boundary between northern Ontario and southern Ontario specified in the 2000 Framework Agreement will continue to apply.

6.8 Second On-Site Stores

The Regulator will eliminate the production threshold for Brewers to open a second on-site retail store, provided, however, that the second on-site retail store shall be required to operate in accordance with the Regulator's policies in place from time to time (e.g., at least 50% of sales at an on-site retail store must be produced on site). The Province will not permit Brewers to cross-sell other Brewers' products in on-site stores.

ARTICLE 7 OTHER MATTERS

7.1 Licensees

The Corporation shall implement effective November 1, 2015, or as soon after that as is feasible from a systems and operations perspective (but no later than January 31, 2016) policies and practices that are authorized by the Regulator to permit small Licensees that purchase no more than 2,046 litres of Beer per year through the Corporation to purchase up to that quantity of Beer at the Corporation's retail stores or other outlets of the Corporation at Consumer Retail Prices. The Parties acknowledge that, pursuant to the *Liquor Control Act* (Ontario), the Corporation is currently and has been authorized to charge other Licensees a price that is different from the Consumer Retail Price.

7.2 Pooled Delivery

Any Brewer with a licensed production facility in Ontario and with annual worldwide production by it and its Affiliates of less than 150,000 hectolitres of Beer (“**Pooling-Eligible Brewer**”) shall be permitted to arrange for pooled delivery with other such Pooling-Eligible Brewers of their products from their Ontario production facilities to Licensees and the LCBO, and shall be permitted to use third party carriers and warehousing. Each Brewer that is a Pooling-Eligible Brewer as of the Effective Date shall remain a Pooling-Eligible Brewer during the Term for so long as it does not become an Affiliate of a Brewer that is not a Pooling-Eligible Brewer. The Corporation shall not interfere with Brewers who wish to avail themselves of such pooled delivery (whether or not including third party carriers and warehousing) and shall not take any action or do anything that would reasonably be considered to unfairly limit or increase the cost of such activities.

7.3 Consumer Prices

It is the expectation of the Province that Consumer Retail Prices charged for the most popular Beer products will not increase before May 1, 2017, as a result of the changes being introduced by the Key Principles and the New Beer Agreements, though they may be subject to ordinary course price changes tied to increases in the minimum retail prices established under Ontario law. These expectations have been communicated to the principal Brewers in the industry separately, and each has separately confirmed to the Province that it is its intention to comply with these expectations, other than in circumstances where the industry context has changed significantly. The Council has recommended to the Province that, as part of the Province’s authorization of the Key Principles and the New Beer Agreements, it affirm the authority of the Province to enforce its expectations in this respect, should that become necessary.

ARTICLE 8 GENERAL

8.1 Dispute Resolution

- (a) 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 this Section 8.1.
- (b) A Party claiming that a Dispute has arisen shall provide Notice of such Dispute to the other party or parties to the Dispute (collectively, the “**Dispute Parties**”). The Notice shall include a concise description of the Dispute and the position of the party providing the Notice. The Dispute Parties shall discuss and negotiate the potential resolution of the Dispute in good faith with the intent of reaching an equitable solution for each such Dispute Party, acting reasonably, within 30 days of such Notice.
- (c) All rights and obligations of the Parties under this Agreement shall continue during any Dispute resolution proceedings pursuant to this Section 8.1.

- (d) Any Dispute not resolved in its entirety pursuant to the process set forth in Section 8.1(b) within the 30-day period specified in that Section shall be referred to and determined by arbitration before a single arbitrator in accordance with the *Arbitration Act*, 1991 (Ontario) (or the *International Commercial Arbitration Act* (Ontario), as applicable) and the procedures set out in Schedule 8.1 to this Agreement.
- (e) A Dispute Party may apply to the Ontario Superior Court of Justice for interim measures of protection at any time prior to the appointment of an Arbitration Tribunal pursuant to Section 8.1(d) and Schedule 8.1 to this Agreement.

8.2 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party).

8.3 Entire Agreement

This Agreement together with the other New Beer Agreements constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties pertaining to that subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, pertaining to that subject matter. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and the other New Beer Agreements.

8.4 Term

The New Beer Agreements shall be in effect for an initial period of 10 years (the “**Initial Term**”), subject to renewal for successive five year renewal terms (each, a “**Renewal Term**”) unless terminated in accordance with Section 8.5(a) or unless terminated earlier in accordance with Section 8.5(b).

8.5 Termination

- (a) Either of the Corporation or the Province may terminate each of the New Beer Agreements at the end of the Initial Term or any Renewal Term by giving a Notice to that effect to the other at least two years prior to the end of such Initial Term or Renewal Term.
- (b) This Agreement shall also terminate prior to the end of the Term upon:
 - (i) the written agreement of the Corporation and the Province;
 - (ii) the dissolution or bankruptcy of the Corporation or the making by the Corporation of an assignment under the provisions of the *Bankruptcy and Insolvency Act* (Canada); or

- (iii) Notice of termination for material breach pursuant to Section 8.6(c)(i) or 8.6(d);

except that the provisions of Sections 8.1, 8.6 and 8.7 shall continue in the event of a termination.

8.6 Remedies for Breach

- (a) Any allegation of material breach of this Agreement (or with respect to Section 8.6(d), the Shareholders Agreement) shall be resolved pursuant to Sections 8.1 and 8.6, including the requirement in Section 8.1(b) of a Notice of Dispute. In determining whether such a material breach has occurred, an Arbitration Tribunal appointed pursuant to Section 8.1(d) and Schedule 8.1 shall treat all obligations in this Agreement, including post-termination obligations in Section 8.7, 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.
- (b) If an Arbitration Tribunal appointed pursuant to Section 8.1(d) and Schedule 8.1 has issued a final award (having been affirmed on appeal, or the appeal period having expired, a “**Final Award**”) declaring that a material breach of this Agreement (or with respect to Section 8.6(d), the Shareholders Agreement) has occurred, the Party found to have been in breach shall have 90 days within which to cure the breach, if it is capable of being cured (or, if the Party found to have been in breach is the Province, and to cure such breach would require that legislation be adopted, such longer period of time as is reasonably required to account for any relevant period during which the Legislature of Ontario is not in session). In awarding such a declaration, the Arbitration Tribunal shall determine whether the material breach is also a Critical Breach as defined in Section 8.6(c)(iii).
- (c) If a material breach of this Agreement is incapable of being cured, or the breaching party has failed to cure it within the period specified in Section 8.6(b), the Party or Parties that obtained the declaration of material breach shall elect one of the following three remedies:
 - (i) termination of this Agreement and of the other New Beer Agreements (except for the Termination Agreement), on Notice, subject to a transitional period of 90 days or such longer period as may be agreed by the Parties;
 - (ii) payment by the breaching Party or Parties of a monetary award in an amount to be assessed on a several (not joint or joint and several) basis by the same Arbitration Tribunal that granted the declaration in Section 8.6(b). Such an award 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. The Arbitration Tribunal shall also award costs of the arbitration and interest as set out in Schedule 8.1;

- (iii) if a breach by the Province or the LCBO was found by the Arbitration Tribunal to also be a Critical Breach, and such Critical Breach occurred on or before June 30, 2018, the Corporation may terminate its obligations to continue to make further capital expenditures under Section 6.1(b). A “**Critical Breach**” is a material breach of any of the provisions of this Agreement relating to the following:
 - (A) sale of Beer to Licensees by the LCBO contrary to Section 6.7(c) with knowledge by the LCBO of such breach, or authorization of New Outlets to sell beverage alcohol to a Licensee contrary to Section 6.5(a);
 - (B) authorization of New Outlets in excess of the maximums set out in Section 6.5;
 - (C) a breach by the Province of paragraph (h) of Schedule 6.5;
 - (D) sale of Beer by the LCBO (other than in Combination Stores), or authorizing New Outlets to sell Beer, in formats larger than Six-Packs or with Pack-up Pricing contrary to Section 6.4 or paragraph (f) of Schedule 6.5; or
 - (E) a breach by the Province of paragraphs (k) or (q) of Schedule 6.5.

For clarity, the list of material breaches that would constitute a Critical Breach is not intended to be an exhaustive list of what could constitute a material breach of this Agreement; or

- (iv) if a breach by the Province or the LCBO was found by the Arbitration Tribunal to also be a Critical Breach, and such Critical Breach occurred after June 30, 2018, the Corporation may terminate the ODRP Agreement effective as of a specified date that is at least two years after the date on which the Corporation provides Notice to the Province of such termination (for clarity, such Notice may not be provided prior to the Final Award declaring that such Critical Breach has occurred and the expiry of the period to cure such Critical Breach as contemplated by Section 8.6(b)).

For clarity, if the breach is not a Critical Breach, the election is between one of (i) or (ii) above; and if it is a Critical Breach, the election is between one of (i), (ii), (iii) or (iv) (depending upon when the Critical Breach was found to have occurred).

- (d) If a material breach by the Corporation of the Shareholders Agreement or by one or more of the Original Owners of the representation set out in section 3.4 of the Shareholders Agreement or to vote their shares to elect or remove Directors as required by section 4.1(b) or 4.4 of the Shareholders Agreement, is incapable of being cured, or the breaching party has failed to cure it within the period specified in Section 8.6(b), and no party to the Shareholders Agreement has already obtained a Final Award from an Arbitration Tribunal under that

Agreement in respect of the same breach or such Final Award has not yet been satisfied by the Corporation or the Original Owners, as the case may be, the Province may elect to terminate this Agreement and the other New Beer Agreements (except for the Termination Agreement) on Notice, subject to a transitional period of 180 days or such longer period as may be agreed by the Parties.

8.7 Effect of Termination

Following termination:

- (a) in accordance with applicable law, the Original Owners shall be allowed to distribute or arrange to have distributed their products in Ontario on a basis similar to that of other Brewers;
- (b) the Corporation shall, subject to applicable law:
 - (i) be authorized to continue to distribute and sell Beer at the locations at which it then operates for a period of at least seven years from the date of such termination, subject to compliance with any requirements established by the Regulator from time to time that are applicable as well to other distributors and retailers of Beer (for clarity, following such termination there shall be no restrictions on the nature or number of other outlets or distribution channels that may be authorized by the Province to distribute or sell Beer in Ontario); and
 - (ii) provide transitional distribution services over a reasonable period of time sufficient to enable Brewers to obtain alternative distribution services, at rates determined on a cost recovery basis;
- (c) the Termination Agreement will remain in effect;
- (d) the Corporation and the Original 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: (i) in connection with such termination; (ii) based upon rights that the Corporation and the Original Owners have or had under the New Beer Agreements or the 2000 Framework Agreement; or (iii) based upon preferential sales or distribution rights that the Corporation and the Original Owners have or had under or in connection with other agreements or accommodations with the LCBO or the Province (including any such agreements or accommodations that predate the 2000 Framework Agreement); and
- (e) the Corporation and the Original 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 to which Canada is a Party, including the North American Free Trade Agreement (“NAFTA”), against the Province, the LCBO or Canada: (i) in connection with such

termination; (ii) based upon rights that the Corporation and the Original Owners have or had under the New Beer Agreements or the 2000 Framework Agreement; or (iii) based upon preferential sales or distribution rights that the Corporation and the Original Owners have or had under or in connection with other agreements or accommodations with the LCBO or the Province (including any such agreements or accommodations that predate the 2000 Framework Agreement). With respect to the rights waived in this Section 8.7(e), the Corporation and the Original Owners will not provide their consent to arbitrate pursuant to Article 1121 of NAFTA, nor provide their consent to arbitrate under any similar provision in other applicable trade agreements.

For clarity, neither clause (d) nor (e) of this Section 8.7 is intended to limit:

- (f) any rights or claims of the Corporation or the Original Owners in respect of any new actions or measures taken by the Province or the LCBO after the termination of this Agreement provided that the subject-matter of the claim advanced or remedy sought is not based upon rights that the Corporation and the Original Owners have or had under the New Beer Agreements or the 2000 Framework Agreement or preferential sales or distribution rights that the Corporation and the Original Owners have or had under or in connection with other agreements or accommodations with the LCBO or the Province (including any such agreements or accommodations that predate the 2000 Framework Agreement). For further clarity, the Corporation and the Original Owners do not waive in relation to any such new actions or measures:
 - (i) any rights or claims for direct expropriation of real property;
 - (ii) any rights or claims if the Corporation were precluded from or subject to discrimination with respect to the sale or distribution of beer in Ontario;
 - (iii) any rights or claims of the Original 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
- (g) any rights or claims of the Parties to contribution or indemnity or a claim over against each other (including by the Corporation or an Original 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.

8.8 Independent Legal Advice

The Parties acknowledge that they have entered into this Agreement willingly with full knowledge of the obligations imposed by the terms of this Agreement. The Parties acknowledge that they have been afforded the opportunity to obtain independent legal advice and confirm by the execution of this Agreement that they have either done so or waived their right to do so, and agree that this Agreement constitutes a binding legal obligation and that they are estopped from raising any claim on the basis that they have not obtained such advice.

8.9 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (a “**Notice**”) shall be 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 facsimile or e-mail:

- (a) in the case of a Notice to the Corporation at:

Brewers Retail Inc.
5900 Explorer Drive
Mississauga, Ontario, L4W 5L2

Attention: President
Fax: (905) 361-4240

- (b) 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: General Counsel
Fax: (416) 681-4087

- (c) in the case of a Notice to Molson at:

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

Attention: Vice President, General Counsel
Fax: (416) 679-0630

- (d) in the case of a Notice to Sleeman at:

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

Attention: President and Chief Executive Officer
Fax: (519) 822-3164

(e) in the case of a Notice to the Province at:

Ministry of Finance
Frost Building South
7 Queen's Park Crescent, 7th floor
Toronto, Ontario
M7A 1Y7

Attention: Deputy Minister of Finance
Fax: 416-325-1595

Copy to: Director, Ministry of Finance Legal Services Branch
Address: College Park
777 Bay Street, 11th floor,
Toronto, Ontario
M5G 2C8
Fax: 416-325-1460

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.

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.

8.10 Amendments and Waivers

No amendment to this Agreement shall be valid or binding unless approved in accordance with this Agreement, 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.

8.11 Assignment

Except as may be expressly provided in this Agreement, none of the Parties to this Agreement may assign its rights or obligations under this Agreement without the prior written consent of all of the other Parties.

8.12 Execution and Delivery

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

[Signature pages follow]

IN WITNESS OF WHICH the Parties have duly executed this Agreement.

**LABATT BREWING COMPANY
LIMITED**

By: "Jan Craps"
Name: Jan Craps
Title: President, Labatt Breweries of
Canada

By: "Charlie Angelakos"
Name: Charlie Angelakos
Title: Vice President, Corporate
Affairs

MOLSON CANADA 2005

By: "Kelly Brown"
Name: Kelly Brown
Title: Chief People, Legal & Corporate
Affairs Officer

SLEEMAN BREWERIES LTD.

By: "John Sleeman"
Name: John Sleeman
Title: Founder and Chairman

By: "Yasuhiro Hanazawa"
Name: Yasuhiro Hanazawa
Title: President and Chief Executive
Officer

BREWERS RETAIL INC.

By: "Charlie Angelakos"
Name: Charlie Angelakos
Title: Chairman

By: "Kelly Brown"
Name: Kelly Brown
Title: Director

**HER MAJESTY THE QUEEN IN RIGHT
OF ONTARIO** as represented by the Minister
of Finance

By: "Charles Sousa"

Name: The Honourable Charles Sousa

Title: Minister of Finance

EXHIBIT A
ARTICLES OF AMENDMENT

SCHEDULE I
TO
ARTICLES OF AMENDMENT
OF
BREWERS RETAIL INC.

(the “Corporation”)

The total number of shares of all classes of shares that the Corporation shall have authority to issue is: (i) an unlimited number of First Equity Shares (the “**First Equity Shares**”), issuable in up to two hundred (200) series of one hundred (100) shares each; and (ii) up to ten thousand (10,000) Second Equity Shares (the “**Second Equity Shares**”).

The rights, privileges, restrictions and conditions of each class of shares in the capital of the Corporation are as set out in this Schedule I.

ARTICLE 1
INTERPRETATION

1.1 Definitions

- (a) “**Act**” means the *Business Corporations Act* (Ontario), as amended from time to time, including any successor legislation.
- (b) “**Accumulated Capital**” means, in respect of a series of First Equity Shares, the accumulated amount of the notional capital account maintained in respect of such series of First Equity Shares in accordance with Section 2.7.
- (c) “**Accumulated Capital Percentage**” means, in respect of a series of First Equity Shares, the percentage that the Accumulated Capital in respect of such series of First Equity Shares represents of the Total Accumulated Capital.
- (d) “**Affiliate**” means, with respect to a party, any person, firm, corporation, partnership (including general partnerships, limited partnerships and limited liability partnerships), limited liability company, joint venture, business trust, association or other entity that, directly or indirectly, Controls, is Controlled by or is under common Control with such party.
- (e) “**Annual Beer Volume**” means, in respect of a series of First Equity Shares, the annual volume of Qualifying Sales of the holder of such series (inclusive of its Affiliates) that is produced at a facility in Ontario or imported into Ontario in accordance with the Inter-Plant Shipments Policy of the Liquor Control Board of Ontario, as it may exist from time to time.
- (f) “**Assets**” means the total assets of the Corporation and its subsidiaries as determined in accordance with IFRS, consistently applied.

- (g) **“Asset Liquidation Amount”** means an amount equal to any net change in the Net Book Value resulting from any net accounting profit or loss recognized (for clarity, after tax and after direct selling costs incurred on the sale) on the disposition of Assets that were held by the Corporation on the Initial Book Value Date (for clarity, excluding any net change in the Net Book Value resulting from any net accounting profit or loss recognized on the disposition of any Assets acquired by the Corporation after the Initial Book Value Date).
- (h) **“Basic Fees”** means fees charged by the Corporation to brewers that sell Beer Through the Corporation for the performance by the Corporation of Basic Services.
- (i) **“Basic Services”** means those services provided by the Corporation to brewers that sell Beer Through the Corporation that it describes as basic services, including ordering stock, receiving palletized stock at distribution centres or stores, selling over the counter, delivering to special occasion permit holders, delivering to Licensees, purchasing and palletizing empty containers, rotating stock, and providing periodic information to the brewer on sales of products per store.
- (j) **“Beer”** has the meaning set out in the *Liquor Licence Act* (Ontario), as amended from time to time, including any successor legislation.
- (k) **“Book Value”** means the net amount at which the Assets, Liabilities or Pension Obligations, as the case may be, are carried on the books of the Corporation in accordance with IFRS, consistently applied.
- (l) **“Brewer”** means a Person that manufactures Beer.
- (m) **“Cash Pension Payments”** means the portion of the total cash contributions made by the Corporation and its subsidiaries, to fund defined benefit pension plans for salaried and hourly paid employees of the Corporation and its subsidiaries, that relates to solvency amortization payments.
- (n) **“Control”** means:
 - (i) in relation to a corporation, the beneficial ownership at the relevant time of shares of such corporation carrying more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of the corporation where such voting rights are sufficient to elect a majority of the directors of the corporation; and
 - (ii) in relation to a Person that is a partnership, limited partnership, limited liability company or joint venture, the beneficial ownership at the relevant time of more than 50% of the ownership or voting interests of the partnership, limited partnership, limited liability company or joint venture in circumstances where it can reasonably be expected that the Person can direct the affairs of the partnership, limited liability company or joint venture;

and the words “**Controlled by**”, “**Controlling**” and similar words have corresponding meanings; the Person who Controls another Person shall be deemed to Control a corporation, partnership, limited liability company, joint venture or trust which is Controlled by such other Person, and so on.

- (o) “**Effective Date**” means September 1, 2015.
- (p) “**Eligible Qualifying Brewer**” means a Qualifying Brewer that is (i) located or resident in the Province of Ontario and eligible to acquire First Equity Shares pursuant to the OSC Order, (ii) located or resident in a province or territory of Canada other than the Province of Ontario and eligible to acquire First Equity Shares pursuant to an exemption from prospectus requirements generally available under the applicable securities laws of that province or territory, or (iii) neither located nor resident in Canada and that is eligible to acquire First Equity Shares pursuant to an exemption from the prospectus, registration or qualification requirements applicable under the securities laws of the jurisdiction outside of Canada in which the Qualifying Brewer is located or resident.
- (q) “**First Equity Liquidation Amount**” means an amount equal to:
 - (i) the aggregate increase, if any, in the Net Book Value from the Initial Book Value Date to the date of the Liquidation Event;

less
 - (ii) the Asset Liquidation Amount, if any (for clarity, to the extent that the Asset Liquidation Amount is a negative number, the absolute value of the Asset Liquidation Amount shall be added to (i));

and less
 - (iii) the amount, if any, by which the Book Value of the Pension Obligations has decreased from the Initial Book Value Date to the date of the Liquidation Event, other than as a result of Cash Pension Payments.
- (r) “**IFRS**” means International Financial Reporting Standards as issued by the International Accounting Standards Board, applicable as at the date on which the relevant calculation or action is made or taken or required to be made or taken in accordance with IFRS.
- (s) “**Initial Book Value Date**” means December 31, 2014.
- (t) “**Liabilities**” means liabilities of the Corporation and its subsidiaries as determined in accordance with IFRS, consistently applied.
- (u) “**Licensee**” means a Person holding a liquor sales licence issued under the *Liquor Licence Act* (Ontario).

- (v) **“Liquidation Event”** means:
 - (i) any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Corporation or other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs; or
 - (ii) a sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Corporation.
- (w) **“Net Book Value”** means the Book Value of the Assets less the Book Value of the Liabilities.
- (x) **“New Outlets”** shall have the meaning assigned to it for purposes of the Master Framework Agreement entered into in 2015 between the Corporation, the Original Owners and Her Majesty the Queen in Right of Ontario.
- (y) **“Other Fees”** means fees charged by the Corporation to brewers that sell Beer Through the Corporation for the performance by the Corporation of any services that are not Basic Services.
- (z) **“Original Owners”** means Labatt Brewing Company Limited, Molson Canada 2005 and Sleeman Breweries Ltd.
- (aa) **“OSC Order”** means the decision of the Ontario Securities Commission rendered on ●, 2015 in response to an application filed by the Corporation pursuant to section 74(1) of the *Securities Act* (Ontario) confirming that the prospectus requirement contained in section 53(1) of the *Securities Act* (Ontario) will not apply to the issuance, from time to time, of First Equity Shares to Eligible Qualifying Brewers located or resident in the Province of Ontario.
- (bb) **“Pension Obligations”** means the pension benefit liability of the Corporation and its subsidiaries, if any, determined in accordance with IFRS and recognized on the Corporation’s balance sheet.
- (cc) **“Pension Adjustment Per Hectolitre”** means the solvency amortization portion of the aggregate cash pension payments of the Corporation in any particular year divided by the number of hectolitres of Beer sold Through the Corporation in that year.
- (dd) **“Percentage Entitlement”** means, in respect of a series of First Equity Shares, the percentage that the Annual Beer Volume in respect of such series of First Equity Shares in the preceding calendar year represents of the Total Annual Beer Volume in respect of such preceding calendar year.
- (ee) **“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.

- (ff) **“Qualifying Brewer”** means a Brewer that operates one or more facilities manufacturing Beer in Ontario, sells Beer Through the Corporation and satisfies the following criteria:
 - (i) it has a valid Ontario manufacturing licence issued by the Regulator;
 - (ii) it has a valid Canadian manufacturing licence issued by the Canada Revenue Agency;
 - (iii) it conducts the full brewing process up to the point of packaging, including mashing, lautering, boiling, hop separation and fermentation, in its Ontario Beer manufacturing facilities; and
 - (iv) it either (A) does not produce Beer in any other jurisdiction or (B) its Ontario Beer manufacturing facilities have a minimum annual capacity of 10,000 hectolitres of Beer in the aggregate and a minimum annual production of 2,500 hectolitres of Beer in the aggregate.
- (gg) **“Qualifying Sales”** means sales of Beer by volume Through the Corporation.
- (hh) **“Regulator”** means the Liquor Control Board of Ontario, the Alcohol and Gaming Commission of Ontario and any other Ontario government authority or agent of the Province of Ontario having jurisdiction over the sale, storage, distribution or consumption of beverage alcohol, or their successors.
- (ii) **“Shareholders Agreement”** means any shareholders agreement between the Corporation and all of its shareholders in force from time to time, including the unanimous shareholder agreement between the Corporation and its shareholders entered into in 2015, as amended or restated from time to time.
- (jj) **“Total Accumulated Capital”** means the aggregate Accumulated Capital in respect of all issued and outstanding series of First Equity Shares.
- (kk) **“Total Annual Beer Volume”** means the aggregate Annual Beer Volume in respect of all series of First Equity Shares.
- (ll) **“Through the Corporation”** means (subject to amendment in accordance with Section 6.7 of the Shareholders Agreement entered into in 2015) when used in relation to sales of Beer, sales by a holder of a particular series of First Equity Shares and its Affiliates (including domestic and imported Beer manufactured by, produced for or distributed by that holder and its Affiliates) through the Corporation to Licensees and retail consumers, and in respect of sales through the Corporation to the LCBO (including northern agency stores and retail partners), one-half of the volume of such sales, but for clarity excluding sales of Beer to or through New Outlets.

ARTICLE 2

FIRST EQUITY SHARES, ISSUABLE IN SERIES

2.1 Unlimited Number of Series

The First Equity Shares shall be issuable from time to time in up to two hundred (200) series. The two hundred (200) series of First Equity Shares shall be designated consecutively the “**Series 1 First Equity Shares**”, the “**Series 2 First Equity Shares**”, the “**Series 3 First Equity Shares**” and so on through to and including the “**Series 200 First Equity Shares**”.

2.2 Number in each Series

The Corporation shall issue exactly 100 First Equity Shares of each series that it issues. Each Eligible Qualifying Brewer subscribing for First Equity Shares shall be issued a separate series of First Equity Shares.

2.3 Terms of each Series

The terms of each series of First Equity Shares shall be identical. However, the rights and privileges that may be exercised by the holders of different series of First Equity Shares shall differ in accordance with the provisions of this Article 2 of this Schedule I.

2.4 Qualifying Brewer

If a Qualifying Brewer and its Affiliates become the beneficial owner or owners of more than one series of First Equity Shares, the Corporation shall redeem all but one series of First Equity Shares held by such Qualifying Brewer and its Affiliates by payment to such Qualifying Brewer of the original subscription price of such First Equity Shares so redeemed. The Accumulated Capital in respect of any series of First Equity Shares so redeemed in accordance with this Section 2.4 shall be added to the Accumulated Capital in respect of the remaining series of First Equity Shares held by such Qualifying Brewer and its Affiliates.

2.5 Dividends

- (a) The First Equity Shares (Series 1 First Equity Shares through to Series 200 First Equity Shares, inclusive) shall be entitled to receive dividends, if, as and when any dividends are declared by the Board.
- (b) The issued and outstanding series of First Equity Shares shall participate in any dividends in proportion to their respective Percentage Entitlements.
- (c) The Corporation shall not declare any dividends or make any distributions on the First Equity Shares without first obtaining any approvals required under the Act and any Shareholders Agreement in force.

2.6 Voting

Subject to any Shareholders Agreement in force, on any matter presented to the shareholders of the Corporation for their action or consideration at any meeting of shareholders of the Corporation:

- (a) the holders of all issued and outstanding series of First Equity Shares shall, in the aggregate, be entitled to cast 100 votes (the “**Total Votes**”);
- (b) each holder of a series of First Equity Shares shall be entitled to cast that number of the Total Votes as shall be equal to the Percentage Entitlement of such holder multiplied by the number of Total Votes, with fractional votes being permitted; and
- (c) the holder of any series of First Equity Shares shall not be entitled to cast any votes if such holder is not a Qualifying Brewer on the date of the vote.

2.7 Notional Capital Accounts

- (a) The Corporation shall maintain a notional capital account in respect of each series of First Equity Shares, as further described in this Section 2.7.
- (b) Subject to Sections 2.7(c) and 2.7(d), the Corporation shall add to the notional capital account maintained in respect of each series of First Equity Shares the aggregate amount of all Basic Fees and Other Fees paid to the Corporation from and after the Effective Date in respect of Qualifying Sales relating to the holder of such series of First Equity Shares.
- (c) Notwithstanding Section 2.7(b), for so long as the Shareholders Agreement entered into in 2015 (as it may be amended in accordance with its terms) remains in force, there shall not be added to the notional capital accounts maintained in respect of any series of First Equity Shares held by an Original Owner any amount of Basic Fees paid by such Original Owner pursuant to section 6.3(a)(iii)(B) of the Shareholders Agreement.
- (d) Each notional capital account maintained in respect of a series of First Equity Shares held by any Qualifying Brewer other than an Original Owner shall, to the extent the Basic Fees paid by the holder of such series include any amounts in respect of the Pension Adjustment Per Hectolitre, be increased by the lesser of:
 - (i) such amounts paid by such holder in respect of the Pension Adjustment Per Hectolitre; and
 - (ii) the Percentage Entitlement of such series of First Equity Shares to the amount of any reduction in the Book Value of the Pension Obligations that does not result from Cash Pension Payments (in the aggregate).

2.8 Liquidation, Dissolution or Winding-up

- (a) The holders of the First Equity Shares (Series 1 First Equity Shares through to Series 200 First Equity Shares, inclusive) shall, upon a Liquidation Event, be entitled to receive from the assets of the Corporation the First Equity Liquidation Amount, if any, in proportion to the respective Accumulated Capital Percentages of their respective series of First Equity Shares. The holders of the First Equity Shares (Series 1 First Equity Shares through to Series 200 First Equity Shares,

inclusive) shall not be entitled to receive any further amounts upon a Liquidation Event after they have received payment of the First Equity Liquidation Amount.

- (b) If upon any such Liquidation Event, the assets of the Corporation available for distribution to its shareholders are insufficient to pay to the holders of First Equity Shares the full amount of the First Equity Liquidation Amount, the holders of First Equity Shares (Series 1 First Equity Shares through to Series 200 First Equity Shares, inclusive) shall share rateably in any distribution of the Assets available for distribution to its shareholders in proportion to the Accumulated Capital Percentages of their respective series of First Equity Shares.
- (c) The First Equity Shares shall rank senior to the Second Equity Shares with respect to the payment of the First Equity Liquidation Amount upon any Liquidation Event.

2.9 Redemption

- (a) Each holder of First Equity Shares (Series 1 First Equity Shares through to Series 200 First Equity Shares, inclusive) shall have the right to require the Corporation to redeem all (but not less than all) of such holder's First Equity Shares by payment to such holder of the original subscription price of such First Equity Shares.
- (b) If any holder of First Equity Shares (Series 1 First Equity Shares through to Series 200 First Equity Shares, inclusive) (i) makes an assignment for the benefit of creditors, (ii) is the subject of any proceedings under any bankruptcy or insolvency law, (iii) avails itself of the benefit of any other legislation for the benefit of debtors or (iv) takes steps to wind up or terminate its corporate existence other than in connection with a corporate reorganization that results in the shares of the Corporation held by such holder being held by a successor or continuing entity, the Corporation shall redeem the First Equity Shares held by such holder.

ARTICLE 3 SECOND EQUITY SHARES

3.1 Dividends

The holders of the Second Equity Shares shall not be entitled to receive dividends.

3.2 Voting

Except as otherwise provided in the Act, the holders of the Second Equity Shares shall not be entitled to receive notice of, or to attend or to vote at, any meeting of the shareholders of the Corporation.

3.3 Liquidation, Dissolution or Winding-up

The Second Equity Shares shall rank junior to the First Equity Shares with respect to the payment of the First Equity Liquidation Amount upon the distribution of Assets upon a Liquidation Event. The holders of the Second Equity Shares are entitled to share rateably based on the number of Second Equity Shares held by such holders in any distribution of Assets to shareholders of the Corporation after payment of the First Equity Liquidation Amount to holders of the First Equity Shares on a Liquidation Event.

EXHIBIT B
ODRP AGREEMENT

AMENDED ONTARIO DEPOSIT RETURN PROGRAM AGREEMENT

THIS AGREEMENT, made in triplicate, for management of a province-wide deposit return program for Program Containers, is executed and amended as of the 1st day of October, 2015.

AMONG:

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO,
as represented by the Minister of Finance

(referred to as “**Ministry**”)

AND:

BREWERS RETAIL INC.

(referred to as “**BRI**”)

AND:

LIQUOR CONTROL BOARD OF ONTARIO

(referred to as “**LCBO**”)

WHEREAS the Ministry recognizes that finding ways to reduce waste is one of the most important issues facing Ontario municipalities;

AND WHEREAS the Ministry is committed to reducing waste going to landfill, lowering recycling costs for municipalities, freeing up blue box space for expanded recycling programs and ensuring a healthier environment and stronger, more vibrant communities for Ontarians;

AND WHEREAS, to achieve these goals, the Government of Ontario initiated the Deposit System under which Ontario consumers pay a deposit on all Program Containers purchased in Ontario at the LCBO Stores, Agency Stores, Wine Stores and Winery, Distillery and Brewery Stores and New Outlets, and may then return the Program Containers to BRI Stores and other locations as specified herein for a full refund;

AND WHEREAS the Ministry is confident that this initiative enhances environmental protection in Ontario and improves the efficiency of the blue box program;

AND WHEREAS the Ministry desires to ultimately achieve the goal by December 31, 2018 of ensuring that 85 per cent of the Program Containers sold in Ontario will be returned to BRI for refunds of Deposits and the Ministry and BRI desire that a minimum of 90 per cent of glass Program Containers collected by BRI under the Contract will be recycled for Higher Order Recycling Uses, in order to reduce the number of containers that end up in landfill;

AND WHEREAS BRI wishes to assist the Ministry in achieving its environmental goals;

AND WHEREAS the Ministry and BRI recognize that meeting the stated environmental goals is also dependent on excellent customer service that makes the Deposit System convenient, efficient and accessible so Ontarians are encouraged to return their Program Containers for refunds of Deposits;

AND WHEREAS the Ministry, BRI and LCBO wish to enter into an agreement specifying the terms and conditions by which BRI would operate the Deposit System on behalf of the Ministry and the terms and conditions by which LCBO will be a party to this Contract for limited purposes;

AND WHEREAS the Ministry wishes to appoint BRI as the exclusive service provider in the Province of Ontario to provide those services in connection with the Deposit System as are described herein, subject to and on the terms of this Contract;

AND WHEREAS for greater certainty, each of the Ministry and BRI acknowledges that neither the Deposit System nor anything in this Contract applies to the deposit and collection arrangements between BRI and brewers regarding non-refillable beer containers and refillable beer containers nor to any existing business agreements, contracts or arrangements between the LCBO and BRI;

AND WHEREAS the Ministry and BRI have agreed that the Deposit System must be organized and operated pursuant to a number of key principles, including:

Performance Based with shared goals for financial, environmental, health and safety, and customer service performance;

Ensuring Value for Money with a handling fee structure that is competitive within the Canadian context; and

Ensuring Accountability for financial, environmental and other performance goals agreed to by the Ministry and BRI through an accountability framework that would include independent audits;

AND WHEREAS each of the Ministry and BRI acknowledges and agrees that the Deposit System established hereby achieves such key principles;

AND WHEREAS LCBO is a party to this Contract for the principal purpose of making payments to BRI and to participate in the Return Rate Committee;

AND WHEREAS the Ministry and BRI (and others) have entered into the Master Framework Agreement which, pursuant to the authority of the Province of Ontario to regulate the sale and distribution of beverage alcohol within Ontario, contemplates the amendment of this Contract to, among other things, extend the terms of this Contract;

NOW THEREFORE, in consideration of their respective agreements set out below, the Parties covenant and agree as follows:

ARTICLE 1

INTERPRETATION AND GENERAL PROVISIONS

1.1 Defined Terms

When used in this Contract, capitalized words or expressions have the meanings set out in Schedule 1.

1.2 Entire Agreement

This Contract together with the Master Framework Agreement embodies the entire agreement between the Parties with regard to the provision of Deliverables and the subject matter of this Contract and supersedes any prior understanding or agreement, collateral, oral or otherwise with respect to the provision of the Deliverables and the subject matter of this Contract, in each case, from and after the Reference Date, existing between the Parties at September 1, 2011. For greater certainty, the Parties acknowledge that this Contract was amended with effect from October 1, 2015 and all obligations of the Parties arising under this Contract prior to such amendment shall continue under this Contract except to the extent specifically modified by such amendment.

1.3 Severability

If any term or condition of this Contract, or the application thereof to the Parties or to any Persons or circumstances, is to any extent invalid or unenforceable, the remainder of this Contract, and the application of such term or condition to the Parties, Persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby. The Ministry and BRI shall engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic and substantive effect of which shall come as close as possible to that of the invalid or unenforceable provision which it replaces.

1.4 Interpretive Value of Headings

The headings in this Contract are for convenience of reference only and in no manner modify, interpret or construe this Contract.

1.5 Notices by Prescribed Means

Notices shall be in writing and shall be delivered by postage-prepaid envelope, personal delivery or facsimile and shall be addressed to, respectively, the Ministry Address to the attention of the Ministry Representative, to the BRI Address to the attention of the BRI Representative, and to the LCBO Address to the attention of the LCBO Representative. Notices shall be deemed to have been given: (a) in the case of postage-prepaid envelope, five (5) Business Days after such

notice is mailed; or (b) in the case of personal delivery or facsimile one (1) Business Day after such notice is received by the applicable Party or Parties. In the event of a postal disruption, notices must be given by personal delivery or by facsimile. Unless the Parties expressly agree in writing to additional methods of notice, notices may only be provided by the methods contemplated in this paragraph. Changes to any one or more of the BRI Address, BRI Representative, Ministry Address, Ministry Representative, LCBO Address and LCBO Representative shall be given by notice by the applicable Party to the other Parties.

1.6 Governing Law

This Contract shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

ARTICLE 2

NATURE OF RELATIONSHIP

2.1 Appointment of BRI

The Ministry hereby appoints BRI as the exclusive service provider in the Province of Ontario to operate the Deposit System from and after the Reference Date, including for the purpose of dealing with Agency Stores, on and subject to the terms and conditions provided in this Contract.

2.2 Acceptance of Appointment

BRI hereby accepts its appointment in accordance with the terms of this Contract.

2.3 BRI's Power to Contract

BRI represents and warrants that it has the full right and power to enter into this Contract and there is no agreement with any other Person to which BRI is a party or by which BRI is bound that would in any way interfere with the obligations of BRI under this Contract.

2.4 Representatives May Bind the Parties

The Parties represent and warrant that their respective representatives have the authority to legally bind them.

2.5 Contract Binding Against BRI

BRI represents and warrants that this Contract constitutes a valid and legally binding obligation of BRI enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditors' rights and to the fact that equitable remedies are available only in the discretion of the court.

2.6 Contract Binding Against Ministry

The Ministry represents and warrants that the Ministry has all necessary capacity, power and authority to enter into and to carry out the provisions of this Contract and this Contract has been duly authorized, executed and delivered by the Ministry and constitutes a legal, valid and binding obligation enforceable against the Ministry in accordance with the terms of this Contract, subject to the availability of equitable remedies and the *Proceedings Against the Crown Act* (Ontario), including the qualifications that a court of Ontario may not against the Ministry grant an injunction, make an order for specific performance, make an order for recovery or delivery of real or personal property or issue execution or attachment or process in the nature thereof other than garnishment in limited circumstances.

2.7 BRI Not a Partner, Agent or Employee

BRI shall have no power or authority to bind the Ministry or LCBO or to assume or create any obligation or responsibility, express or implied, on behalf of the Ministry or LCBO. BRI shall not hold itself out as an agent, partner or employee of the Ministry or LCBO. Nothing in this Contract shall have the effect of creating an employment, partnership or agency relationship between the Ministry and BRI, or between LCBO and BRI, or with any of BRI's directors, officers, employees, agents, partners, affiliates, volunteers or subcontractors, or constitute an appointment under the *Public Service of Ontario Act, 2006*, S.O. 2006, c.35, Sched. A.

2.8 Responsibility of BRI

BRI agrees that it is liable to the Ministry for the acts and omissions of its directors, officers, employees, agents, partners, affiliates, volunteers and, except as otherwise expressly limited by Schedule 1, subcontractors. This paragraph is in addition to any and all of BRI's liabilities under this Contract and under the general application of law. BRI shall advise these individuals and entities of their obligations under this Contract. Notwithstanding the foregoing, the Ministry and LCBO acknowledge and agree that BRI shall have no liability hereunder or otherwise to LCBO in respect of this Contract. This paragraph shall survive the termination or expiry of this Contract.

2.9 Subcontracting, Assignment and Other Government Functions

For greater certainty, nothing in this Contract restricts any Party's right to subcontract or in any way restricts any pre-existing rights of the Ministry or of the Government of Ontario or any of its Agencies to: (a) exercise any regulatory and statutory powers or functions; (b) procure or re-procure the same or similar services from any other Person, except as expressly limited by the provisions of this Contract; (c) set bottle and container deposit rates, subject to the express terms of this Contract; (d) subcontract or outsource the management of all or part of this Contract to any Person; (e) assign this Contract to any other Ministry, Agency or government body; provided that, in the case of (d) or (e), neither Her Majesty the Queen in right of Ontario nor LCBO shall in any way be released from any of their respective obligations hereunder. The Ministry agrees that it shall not subcontract or outsource the management of all or any part of this Contract, or assign the Contract, to a Person, Agency or government body who may have a

conflict with BRI (for purposes of this sentence, a Person, Agency or government body who may have a conflict with BRI includes LCBO, a Person or an entity that is a competitor of BRI and an entity created pursuant to the *Waste Diversion Act, 2002* (Ontario) and its successors).

2.10 Conflict of Interest

BRI shall: (a) avoid any Conflict of Interest in the performance of its obligations under this Contract; (b) disclose to the Ministry without delay any Conflict of Interest of which it is aware, or ought reasonably be aware, that arises during the performance of its obligations under this Contract; and (c) comply with any reasonable requirements prescribed by the Ministry, to resolve any Conflict of Interest, subject to the Dispute Resolution procedures in Part H of Schedule 1 should BRI not agree, acting reasonably, with any such requirements. The Ministry may terminate this Contract pursuant to section 6.1 hereof upon giving notice to BRI where: (a) BRI fails to disclose a Conflict of Interest of which it is aware, or ought reasonably be aware; (b) BRI fails to comply with any reasonable requirements prescribed by the Ministry to resolve a Conflict of Interest following resolution of any disagreement in respect thereof pursuant to the Dispute Resolution procedures in Part H of Schedule 1; or (c) BRI's Conflict of Interest cannot be resolved, in each case, subject to the rectification period set forth in section 6.1. Notwithstanding the foregoing, the Ministry hereby acknowledges and agrees that, for all purposes of this Contract, a Conflict of Interest shall not include any conflict of interest (including that which would be a Conflict of Interest but for this proviso) arising as a result of (i) the business conducted by BRI which is in direct competition to the business of the LCBO and the sale and distribution of liquor in the Province of Ontario, including the ownership and operation of a system for the sale and distribution of beer products in the Province of Ontario, through BRI Stores and otherwise, (ii) BRI's operation of the BRI Beer Container Recovery System, and/or (iii) the competition between the shareholders of BRI and between such shareholders and the LCBO, nor shall the Conflict of Interest provisions of this Contract apply in any way to BRI's shareholders or its affiliates. The Ministry further acknowledges and agrees, and the LCBO acknowledges and agrees, that nothing in this Contract shall in any way or at any time or from time to time preclude or in any way inhibit (i) BRI from engaging in business ventures or from having business interests which compete with the LCBO and the sale and distribution of liquor in the Province of Ontario, and/or (ii) BRI, its shareholders, their respective affiliates, or the industry in which they operate, from lobbying or otherwise advancing or advocating a position to any Agency or any governmental Authority, body or department, whether federal, provincial or municipal, on matters affecting any one or more of BRI, its shareholders, affiliates or such industry. BRI shall ensure adherence to commonly accepted norms of ethical business practices, which shall include BRI not providing or offering gifts or hospitality of greater than nominal value to any Person acting on behalf of or employed by Her Majesty the Queen in right of Ontario. This paragraph shall survive any termination or expiry of the Contract.

2.11 LCBO

LCBO represents and warrants that it has the full right, capacity, power and authority to enter into and carry out the provisions of this Contract and that this Contract has been duly authorized, executed and delivered by LCBO and constitutes a legal, valid and binding obligation of LCBO enforceable against it in accordance with its terms.

2.12 Contract Binding

This Contract shall enure to the benefit of and be binding upon the Parties and their successors, executors, administrators and their permitted assigns.

2.13 Notice of Changes in the Administration of the Ontario Deposit Return Program

BRI shall provide the Joint Management Committee overseeing the Ontario Deposit Return Program with reasonable advance notice with respect to any planned changes regarding the administration of the Ontario Deposit Return Program that BRI may make from time to time at its discretion, including any pilot initiatives BRI may launch from time to time.

ARTICLE 3

PERFORMANCE

3.1 Performance

BRI covenants and agrees to perform the services and functions to be performed by it hereunder in accordance with the terms of this Contract and in accordance with the Requirements of Law in all material respects. In providing the Deliverables, BRI shall exercise that degree of timeliness, care, diligence and skill that a competent Person who is experienced in performing like services and functions would exercise in comparable circumstances and shall provide the Deliverables through individuals who are competent, qualified and duly trained.

3.2 Notification

During the Term, (i) BRI shall advise the Ministry in writing and promptly of any omissions or other faults of which it is aware, the occurrence of which would give the Ministry the right to terminate this Contract pursuant to section 6.1; (ii) the Ministry shall advise BRI in writing and promptly of any omissions or other faults of which it is aware, the occurrence of which would give BRI the right to terminate this Contract pursuant to section 6.5; and (iii) LCBO shall advise the Ministry and BRI in writing and promptly of any omissions or other faults on the part of LCBO of which it is aware, the occurrence of which would give BRI the right to terminate this Contract pursuant to section 6.5.

3.3 Condonation Not a Waiver

Any failure by any Party to insist in one or more instances upon strict performance by any other Party of any of the terms or conditions of this Contract shall not be construed as a

waiver by the performing Party of its right to subsequently require strict performance of any such terms or conditions, and the obligations of the non-performing Party with respect to such subsequent performance shall continue in full force and effect.

3.4 Changes and Further Appendices By Written Agreement Only

Any Party may, in writing, request changes to this Contract. For the avoidance of doubt, changes regarding altering, adding to, or deleting any of the Deliverables may only be requested by the Ministry or BRI. Any changes to this Contract shall be by written agreement signed by the Parties. No changes shall be effective unless formalized in writing and signed by the Parties. LCBO shall execute and deliver any written agreement reflecting changes to this Contract which have been agreed between the Ministry and BRI.

3.5 Limited Exclusivity, Work Volumes

BRI shall, subject to the Ministry's Step in Rights, be the exclusive provider of the Deliverables for the duration of the Term. The Ministry makes no representation regarding the volume of goods and services required under this Contract or the Fees payable under this Contract. Beyond the Term, the Ministry reserves the right to contract with other Persons for the same or similar goods and services as those provided by BRI under this Contract.

3.6 Communications

The Parties will cooperate in communications relating to this Contract and shall each bear their own costs with respect to any such communications. BRI and LCBO agree to use, from and after the Reference Date, their respective means of communication to promote the Deposit System. The Ministry and LCBO will provide BRI, and BRI will provide the Ministry, with seven (7) days advance written notice of any public announcement pertaining to the Deposit System. The content of any such public announcement by BRI directly related to the Deposit System will require the Ministry's prior written approval.

3.7 Rights and Remedies

The express rights and remedies of the Parties set out in this Contract are in addition to and shall not limit any other rights and remedies available to them at law or in equity.

ARTICLE 4

PAYMENT FOR PERFORMANCE

4.1 Payment According to Contract Fees

LCBO shall pay BRI for the Deliverables provided at the Fees established under this Contract and shall refund Deposits paid by BRI, plus in each case applicable taxes, all in accordance with the procedures established under Schedule 1, including the adjustment protocols established pursuant to Part G of Schedule 1.

4.2 Billing and Payment Process

The billing and payment process shall be in accordance with Schedule 1.

4.3 Performance Audit and Review

In accordance with Part G of Schedule 1, BRI shall maintain all necessary records to substantiate all charges and payments under this Contract and shall permit and assist the Ministry in conducting the audits and performance reviews specified under Part G of Schedule 1. BRI and the Ministry acknowledge and agree that the report and response and adjustment protocols established under Part G of Schedule 1 shall apply where such Ministry audits or performance reviews result in the finding of discrepancies in Fees charged or Deposits refunded, whether such discrepancies are in favour of BRI or in favour of the Ministry. BRI hereby agrees to establish and maintain (and regularly provide to the Ministry copies of) empty container return policies applicable to BRI Beer Containers and Program Containers accepted or collected by BRI pursuant to the Deposit System that include procedures for employees to identify and not accept the return of containers that are not Program Containers. The Ministry and LCBO acknowledge that any discrepancy as a result of BRI collecting or accepting the return of alcohol containers that were not purchased in the Province of Ontario, provided that BRI's policies containing the above-referenced procedures are established and maintained, shall not be the subject of adjustment, nor shall it constitute a breach by BRI of its obligations hereunder. For the avoidance of doubt, LCBO shall have no audit rights hereunder.

4.4 No Expenses or Additional Charges

Except as expressly set out in this Contract and except for any remedies available to BRI at law or in equity, there shall be no funds payable under this Contract to BRI other than the Fees established and payable by LCBO and the Deposit refunds payable by LCBO pursuant to Schedule 1, plus in each case applicable taxes. Without derogating from any rights or remedies of BRI under this Contract, at law or in equity, there shall be no funds payable by the Ministry to BRI under this Contract for the Deliverables.

4.5 Payment of Taxes and Duties

Unless otherwise stated, BRI shall pay all applicable taxes incurred by or on BRI's behalf, including harmonized sales tax, with respect to this Contract; provided, however,

applicable harmonized sales tax shall be added to the Fees chargeable by BRI hereunder and paid by LCBO.

4.6 Withholding Tax

LCBO shall withhold any applicable withholding tax from amounts due and owing to BRI under this Contract and shall remit it to the appropriate government in accordance with applicable tax laws. This paragraph shall survive any termination or expiry of this Contract.

4.7 Interest on Late Payment

If a payment is in arrears through no fault of BRI, the interest (if any) charged by BRI to LCBO for any late payment shall not exceed the pre-judgment interest rate established under subsection 127(2) of the *Courts of Justice Act*, R.S.O. 1990, c. C45, in effect on the date that the payment went into arrears.

4.8 Additional Audit Rights

For the applicable period of time specified in Part G of Schedule 1, following the Expiry Date, BRI shall maintain all necessary records to substantiate all charges and payments under this Contract. During the applicable period of time specified in Part G of Schedule 1, following the Expiry Date, BRI shall permit and assist the Ministry in conducting audits of the operations of BRI to verify the above in accordance with, and limited to, the audit and review rights set forth in Part G of Schedule 1. The Ministry shall provide BRI with at least ten (10) Business Days prior notice of its requirement for such audit. BRI's obligations under this paragraph shall survive any termination or expiry of this Contract. For the avoidance of doubt, LCBO shall have no audit rights hereunder.

ARTICLE 5

CONFIDENTIALITY AND FIPPA

5.1 OPS Confidential Information

During and following the Term, BRI shall: (a) keep all OPS Confidential Information confidential and secure; (b) limit the disclosure of OPS Confidential Information to only those of its directors, officers, employees, agents, partners, affiliates, volunteers or subcontractors who have a need to know it for the purpose of providing the Deliverables and who have been specifically authorized by BRI to have such disclosure; (c) not directly or indirectly disclose, destroy, exploit or use any OPS Confidential Information (except for the purpose of providing the Deliverables, or except if required by order of a court or tribunal), without first obtaining: (i) the written consent of the Ministry and (ii) in respect of any OPS Confidential Information about any third-party, the written consent of such third-party; (d) provide OPS Confidential Information to the Ministry with reasonable notice; and (e) return all OPS Confidential Information to the Ministry before or at the end of the Term, with no copy or portion kept by BRI except for that information required to satisfy the post-Term audit obligations set out under this Contract or for its other rights or obligations hereunder or at law or in equity.

5.2 Restrictions on Copying

BRI shall not copy any OPS Confidential Information, in whole or in part, unless copying is needed for the purposes of this Contract. On each copy made by BRI, BRI must reproduce all notices which appear on the original.

5.3 Injunctive and Other Relief

BRI acknowledges that the breach of any provisions of this Article may cause irreparable harm to the Ministry or to any third-party to whom the Ministry owes a duty of confidence, and that the injury to the Ministry or to any third-party may be difficult to calculate and be inadequately compensable in damages. BRI agrees that the Ministry is entitled to obtain injunctive relief (without proving any damage sustained by it or by any third-party) or any other remedy against any actual or potential breach of the provisions of this Article.

5.4 Ministry Notice and Protective Order

If BRI or any of its directors, officers, employees, agents, partners, affiliates, volunteers or subcontractors become legally compelled to disclose any OPS Confidential Information, BRI will, to the extent it is aware of same, provide the Ministry with prompt notice to that effect in order to allow the Ministry to seek one or more protective orders or other appropriate remedies to prevent or limit such disclosure, and it shall co-operate with the Ministry and its legal counsel to the extent reasonably required thereby. If such protective orders or other remedies are not obtained, BRI will disclose only that portion of OPS Confidential Information which BRI is legally compelled to disclose, only to such person or persons to which BRI is legally compelled to disclose, and BRI shall provide notice to each such recipient (in co-operation with legal counsel for the Ministry) that such OPS Confidential Information is confidential and subject to non-disclosure on terms and conditions equal to those contained in this Contract and, if possible, shall obtain each recipient's written agreement to receive and use such OPS Confidential Information subject to those terms and conditions.

5.5 FIPPA Records and Compliance

The Parties acknowledge and agree that FIPPA applies to and governs all Records and may require the disclosure of such Records to third-parties. Furthermore, BRI agrees:

- (a) to keep Records secure;
- (b) to provide Records to the Ministry within seven (7) calendar days of being directed to do so by the Ministry for any reason including an access request or privacy issue;
- (c) not to access any Personal Information unless provided by the Ministry or the Ministry determines, in its sole discretion, that access is permitted under FIPPA and is necessary in order to provide the Deliverables;

- (d) not to directly or indirectly use, collect, disclose or destroy any Personal Information for any purposes that are not required to provide the Deliverables or are not authorized by the Ministry;
- (e) to ensure the security and integrity of Personal Information and keep it in a physically secure and separate location safe from loss, alteration, destruction or intermingling with other records and databases and to implement, use and maintain appropriate products, tools, measures and procedures to do so;
- (f) to restrict access to Personal Information to those of its directors, officers, employees, agents, partners, affiliates, volunteers or subcontractors who have a need to know it for the purpose of providing the Deliverables and who have been specifically authorized by the Ministry Representative to have such access for the purpose of providing the Deliverables;
- (g) to implement other reasonable specific security measures that in the reasonable opinion of the Ministry would improve the adequacy and effectiveness of BRI's measures to ensure the security and integrity of Personal Information and Records generally; and
- (h) that any confidential information supplied to the Ministry may be disclosed by the Ministry where it is obligated to do so under FIPPA, by an order of a court or tribunal or pursuant to a legal Proceeding;

and the provisions of this paragraph shall prevail over any inconsistent provisions in this Contract.

5.6 BRI Confidential Information

BRI shall identify any information supplied in confidence for which confidentiality is to be maintained by the Ministry and LCBO. FIPPA applies to BRI Confidential Information provided to the Ministry, the confidentiality of such information will be maintained by the Ministry or LCBO, as applicable, except as otherwise required by law or by order of a court or tribunal. BRI acknowledges that BRI Confidential Information will, as necessary, be disclosed on a confidential basis, to the Ministry's external advisers who have a need to know it for purposes of this Contract, to whom said confidentiality obligations shall also apply. During and following the Term, the Ministry and LCBO shall: (a) keep all BRI Confidential Information confidential and secure; (b) limit the disclosure of BRI Confidential Information to only those of its directors, officers, employees, agents, partners, affiliates, volunteers or subcontractors who have a need to know it for the purpose of this Contract and who have been specifically authorized by the Ministry and LCBO to have such disclosure; (c) not directly or indirectly disclose, destroy, exploit or use any BRI Confidential Information (except for the purpose of this Contract, or except if required by order of a court or tribunal). For greater certainty regarding paragraph (b) above, the Ministry shall not disclose BRI Confidential Information to LCBO unless reasonably required by LCBO to fulfil its payment obligations under this Contract. The Ministry and LCBO shall not copy any BRI Confidential Information, in whole or in part, unless copying is needed for the purposes of this Contract.

5.7 BRI Notice and Protective Order

If the Ministry or any Agency or their respective employees, agents, volunteers or subcontractors become legally compelled to disclose any BRI Confidential Information, the Ministry or LCBO, as applicable, will, to the extent it is aware of same, provide BRI with prompt notice to that effect in order to allow BRI to seek one or more protective orders or other appropriate remedies to prevent or limit such disclosure (including pursuant to FIPPA), and it shall co-operate with BRI and its legal counsel to the extent reasonably required thereby. If such protective orders or other remedies are not obtained, the Ministry or LCBO, as applicable, will disclose only that portion of BRI Confidential Information which the Ministry or LCBO, as applicable, is legally compelled to disclose, only to such person or persons to which the Ministry or LCBO, as applicable, is legally compelled to disclose, and the Ministry or LCBO, as applicable, shall provide notice to each such recipient (in co-operation with legal counsel for BRI) that such BRI Confidential Information is confidential and subject to non-disclosure on terms and conditions equal to those contained in this Contract and, if possible, shall obtain each recipient's written agreement to receive and use such BRI Confidential Information subject to those terms and conditions.

5.8 Survival

The provisions of this Article shall survive any termination or expiry of this Contract.

ARTICLE 6

TERMINATION, EXPIRY AND EXTENSION

6.1 Ministry Termination of Contract

The Ministry may immediately terminate this Contract upon giving notice to BRI where:

- (a) an Event of Insolvency occurs;
- (b) BRI breaches any of section 5.1, section 5.2, section 5.4 or section 5.5 of this Contract;
- (c) BRI breaches the Conflict of Interest paragraph in Article 2 (Nature of Relationship) of this Contract and fails to rectify same within thirty (30) Business Days of receiving a rectification notice from the Ministry in accordance with the terms of such paragraph;
- (d) BRI assigns this Contract without first obtaining the written approval of the Ministry; or
- (e) BRI's acts or omissions constitute a substantial failure of performance and BRI then fails to rectify such non-performance within thirty (30) Business Days of receiving a rectification notice from the Ministry;

and the above rights of termination are in addition to all other rights of termination available at law, or events of termination by operation of law.

6.2 Dispute Resolution

The Dispute Resolution procedures in Part H of Schedule 1 shall apply to this Contract.

6.3 Obligations on Termination

On termination of this Contract for any reason (including, without limitation, termination by BRI pursuant to section 6.5), BRI shall, in addition to its other obligations under this Contract and at law, upon the Ministry's request and in accordance with the terms of this Contract, for a period of up to two (2) years (or such other period as may then be agreed by the Ministry and BRI) ("**Transition Period**") from the effective date of termination, continue to provide any Deliverables and all assistance reasonably requested by the Ministry to internalize the Deliverables, or to facilitate the retention by the Ministry of a third-party to provide all or some of the Deliverables, in an efficient and orderly manner and LCBO shall, during such Transition Period, pay to BRI the Fees and refund Deposits required pursuant to this Contract in accordance with the terms of this Contract. Upon any termination or expiry of the Term, BRI shall deliver a final invoice in accordance with Schedule 1 within ninety (90) days from the effective date of termination or expiry, setting out all Fees and refunded Deposits that remain owing, and BRI and LCBO shall make all required financial adjustments and payments required by this Contract within thirty (30) days following the receipt of such account.

This paragraph shall survive any termination or expiry of this Contract.

6.4 BRI's Payment Upon Termination

On termination of this Contract, LCBO shall only be responsible for the payment for the Deliverables provided under this Contract up to and including the effective date of any termination (or the end of the Transition Period, if applicable). Termination shall not relieve BRI of its warranties and other responsibilities relating to the Deliverables performed or money paid.

6.5 BRI Termination of Contract

BRI may immediately terminate this Contract upon giving notice to the Ministry where:

- (a) The Ministry or LCBO breaches any of section 5.6 or section 5.7 of this Contract;
- (b) The Ministry, without BRI's prior written consent (acting reasonably), outsources, subcontracts or assigns this Contract, as a result of, or following, which Her Majesty the Queen in right of Ontario is in any way released from any of its obligations hereunder;
- (c) LCBO, without BRI's prior written consent (acting reasonably), outsources, subcontracts or assigns this Contract;

- (d) LCBO fails at any time during the Term to pay to BRI all monies payable to it under this Contract, if such failure is not remedied within ten (10) Business Days after receipt by the Ministry and LCBO of notice of such failure from BRI; or
- (e) The Ministry's acts or omissions constitute a substantial failure of performance and the Ministry then fails to rectify such non-performance within thirty (30) Business Days of receiving a rectification notice from BRI;

and the above rights of termination are in addition to all other rights of termination available at law, or events of termination by operation of law.

6.6 Termination in Addition to Other Rights

The express rights of termination in this Contract are in addition to and shall in no way limit any rights or remedies of the Ministry or BRI under this Contract, at law or in equity. For the avoidance of doubt, LCBO shall have no right to terminate this Contract, at law or in equity.

6.7 Expiry or Termination of Contract

Unless extended in accordance with its terms, including in respect of a Transition Period, this Contract shall expire or terminate at the earlier of the Expiry Date and the termination or expiration of the Master Framework Agreement.

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ARTICLE 7
FORCE MAJEURE

7.1 Force Majeure

No Party hereunder shall be responsible to the other for any delay or failure to fulfill the terms of this Contract if such failure or delay results from: (a) a strike, lockout, slow-down or other combined action of workmen; (b) an act of God; (c) an act of public enemy, an act of sabotage, riot, fire, flood, explosion, or other catastrophe, an accident, a freight embargo; or (d) any other cause beyond the reasonable control of the Party whose failure or delay is to be excused.

IN WITNESS WHEREOF the Parties have executed this Contract as of the date first above written.

**HER MAJESTY THE QUEEN IN RIGHT OF
ONTARIO, as represented by the Minister of
Finance**

Signature: _____
Name:
Title:

BREWERS RETAIL INC.

Signature: _____
Name:
Title:
I have authority to bind the corporation.

LIQUOR CONTROL BOARD OF ONTARIO

Signature: _____
Name:
Title:
I have authority to bind LCBO.

SCHEDULE 1

SCHEDULE OF DEFINITIONS, DELIVERABLES, FEES AND SUPPLEMENTARY PROVISIONS

PART A: DEFINITIONS

When used in this Contract, in addition to the definitions set forth elsewhere in this Schedule 1, the following words or expressions have the following meanings:

“2000 Framework Agreement” means the agreement dated June 1, 2000 entitled “Serving Ontario Beer Consumers: A Framework for Improved Co-operation and Planning” that was entered into between BRI and the LCBO at the direction, authorization and agreement of the Province of Ontario;

“Agencies” means all advisory, adjudicative, regulatory (including those with governing boards), and operational service agencies of the Province of Ontario and includes LCBO;

“Agency Stores” means private businesses in communities not serviced by LCBO Stores and BRI Stores, and authorized by the LCBO to sell beverage alcohol to the public in the Province of Ontario but excludes Wine Stores and Winery, Distillery, Brewery Stores and New Outlets;

“Authority” means any government authority, Agency, body or department, whether federal, provincial or municipal, having or claiming jurisdiction over this Contract; and **“Authorities”** means all such authorities, agencies, bodies and departments;

“BRI Address” and **“BRI Representative”** mean:

Brewers Retail Inc.
5900 Explorer Drive
Mississauga, Ontario
L4W 5L2

Attention: President
Telephone: (905) 361-4204
Fax: (905) 361-4289

“BRI Beer Container Recovery System” means the deposit and collection arrangements between BRI and brewers regarding BRI Beer Containers and refillable beer containers;

“BRI Beer Containers” means the non-refillable beer containers subject to the BRI Beer Container Recovery System;

“BRI Confidential Information” means all information of BRI or a Processor that is of a confidential nature that is expressly identified as such by BRI which comes into the knowledge, possession or control of the Ministry or LCBO in connection with this Contract. For greater certainty, BRI Confidential Information shall not include information that: (i) is or becomes

generally available to the public without fault or breach on the part of the Ministry or LCBO of any duty of confidentiality owed by the Ministry or LCBO to BRI or to any third-party; (ii) the Ministry or LCBO can demonstrate to have been rightfully obtained by the Ministry or LCBO, without any obligation of confidence, from a third-party who had the right to transfer or disclose it to the Ministry or LCBO free of any obligation of confidence; (iii) the Ministry or LCBO can demonstrate to have been rightfully known to or in the possession of the Ministry or LCBO at the time of disclosure, free of any obligation of confidence when disclosed; or (iv) is independently developed by the Ministry or LCBO; and BRI Confidential Information shall not include the terms of this Contract;

“BRI Distribution Centers” means distribution/warehouse centers designated from time to time in BRI’s discretion, owned and operated, directly or indirectly, by BRI in the Province of Ontario for the warehousing and distribution of beer products;

“BRI Return Locations” means collectively, BRI Stores, BRI Distribution Centers and any additional locations assigned by BRI in its discretion in accordance with section 1.1.1.3 of this Schedule 1;

“BRI Stores” means the retail outlets, from time to time in BRI’s discretion, owned and operated, directly or indirectly, by BRI in the Province of Ontario for the sale of beer products to the public;

“Bulk Return” means the return on one day by one Person of one hundred and twenty (120) empty Program Containers or more;

“Business Day” means any working day, Monday to Friday inclusive, but excluding statutory and other holidays, namely those days defined as a “holiday” in the *Legislation Act, 2006*, S.O. 2006, c. 21, Sched. F;

“Conflict of Interest” means, subject to section 2.10, any situation or circumstance where in relation to the performance of its obligations in this Contract, BRI’s other commitments, relationships or financial interests (i) could reasonably be expected to cause BRI to exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgement in a material respect; or (ii) could reasonably be expected to compromise, impair or be incompatible with the effective performance of BRI’s contractual obligations in a material respect;

“Contract” means the aggregate of: (a) this agreement, including Schedule 1; and (b) any amendments executed in accordance with the terms of this Contract;

“Deliverables” means the services to be provided by BRI to the Ministry under this Contract as described in section 1.1 of Part B of Schedule 1;

“Deposit Categories” means the categories of Program Containers as specified in O. Reg. 13/07 under the *Liquor Control Act* (Ontario), and **“Deposit Category”** means any one of them;

“Deposit System” means the deposit-refund system established pursuant to this Contract and pursuant to O. Reg. 13/07 under the *Liquor Control Act* (Ontario) for all Program Containers, and including import and domestic beer containers sold exclusively by the LCBO, its agents and New Outlets as applicable.

“Deposits” means deposits applied to Program Containers for each Deposit Category as specified in O. Reg. 13/07 under the *Liquor Control Act* (Ontario);

“EBDs” mean empty bottle dealers authorized from time to time by BRI in BRI’s discretion, to provide container return services to customers who have purchased products sold through BRI Stores, BRI Distribution Centers, Agency Stores, the LCBO and New Outlets;

“Event of Insolvency” means, in respect of BRI, the occurrence of any one of the following events: (a) if BRI: (i) other than in connection with a bona fide corporate reorganization which does not otherwise contravene this Contract, is wound up, dissolved, liquidated or has its existence terminated or has any resolution passed therefor, or makes a general assignment for the benefit of its creditors or a proposal under the *Bankruptcy and Insolvency Act* (Canada); (ii) makes an application to the applicable court for a compromise or arrangement under the *Companies’ Creditors Arrangement Act* (Canada); or (iii) files any written request, application, answer or other document seeking or consenting to any reorganization, arrangement, composition, readjustment, liquidation or similar relief for itself under any present or future law relating to bankruptcy, insolvency or other relief for or against debtors generally, including any notice of intention to make a proposal pursuant to the *Bankruptcy and Insolvency Act* (Canada); (b) if a court of competent jurisdiction enters an order, judgment or decree against BRI which approves or provides for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, winding-up, termination of existence, declaration of bankruptcy or insolvency or similar relief with respect to BRI, under any present or future law relating to bankruptcy, insolvency or other relief for or against debtors generally and such order, judgment or decree remains unvacated and unstayed for an aggregate period of sixty (60) days (whether or not consecutive) from the date it is made; (c) if any trustee in bankruptcy, receiver, receiver and manager, liquidator or any other officer with similar powers is appointed for or with respect to BRI and that appointment remains in effect for an aggregate period of sixty (60) days (whether or not consecutive) from the date of the appointment; or (d) if an encumbrancer or anyone acting on behalf of an encumbrancer takes possession of all or substantially all of the property of BRI and remains in possession for an aggregate period of sixty (60) days (whether or not consecutive) from the first date of the taking of possession;

“Expiry Date” means **September 30, 2025**;

“Fees” means the applicable price set out in Part F of Schedule 1, in Canadian funds, to be charged for the applicable Deliverables, all as set out in Schedule 1, but, for clarity, excluding Deposits to be refunded to BRI, representing, except as expressly set forth in this Contract, the full amount chargeable by BRI for the provision of the Deliverables, including but not limited to: (a) all applicable duties and, except as provided in the Contract, taxes, if any; (b) all labour and material costs; (c) all travel and carriage costs; (d) all insurance costs; and (e) all other overhead;

“FIPPA” means the *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F.31;

“Higher Order Recycling Uses” means any legal use other than landfill, incineration or road aggregate;

“Joint Management Committee” means the committee described in section 1.25 of Part J of Schedule I to this Contract;

“LCBO” means the Liquor Control Board of Ontario, a Government of Ontario Crown corporation continued under the *Liquor Control Act* (Ontario), and its successors;

“LCBO Address” and **“LCBO Representative”** mean:

Liquor Control Board of Ontario
55 Lake Shore Boulevard East
Toronto, ON
M5E 1A5

Attention: President and CEO
Telephone: 416-864-2478
Fax: 416-864-2476

“LCBO Stores” means government stores, warehouses and distribution centers established from time to time by the LCBO for the sale of liquor to the public in the Province of Ontario, but does not include Agency Stores;

“Licensees” mean bars, restaurants, taverns, special event locations and other establishments licensed to sell beverage alcohol to the public for consumption thereat by the Alcohol and Gaming Commission of Ontario, or other Agency, and to which BRI delivers full BRI Beer Containers and/or full refillable beer containers and collects empty BRI Beer Containers and/or empty refillable beer containers;

“Master Framework Agreement” means the master framework agreement between the Ministry, BRI, Labatt Brewing Company Limited, Molson Canada 2005 and Sleeman Breweries Ltd.;

“Ministry Address” and **“Ministry Representative”** mean:

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

Attention: Director
Alcohol & Fees Policy Branch
Revenue Agencies Oversight Division
Ministry of Finance

Telephone: 416-314-4288
Fax: 416-325-7190

“New Outlets” has the meaning assigned to it in the Master Framework Agreement;

“Ontario Public Service” means the ministries and other administrative units of the Government of Ontario over which Ministers of the Crown preside, and for the purposes of this Contract includes the Agencies, and **“OPS”** has the same meaning;

“OPS Confidential Information” means all information of the Ontario Public Service that is of a confidential nature that is expressly identified as such by the Ministry which comes into the knowledge, possession or control of BRI in connection with this Contract. For greater certainty, OPS Confidential Information shall:

(a) include: (i) all new information derived at any time from any such information whether created by the OPS, BRI or any third-party; (ii) all information (including Personal Information) that the OPS is obliged, or has the discretion, not to disclose under provincial or federal legislation or otherwise at law; but

(b) not include information that: (i) is or becomes generally available to the public without fault or breach on the part of BRI of any duty of confidentiality owed by BRI to the OPS or to any third-party; (ii) BRI can demonstrate to have been rightfully obtained by BRI, without any obligation of confidence, from a third-party who had the right to transfer or disclose it to BRI free of any obligation of confidence; (iii) BRI can demonstrate to have been rightfully known to or in the possession of BRI at the time of disclosure, free of any obligation of confidence when disclosed; or (iv) is independently developed by BRI; but the exclusions in this subparagraph shall in no way limit the meaning of Personal Information or the obligations attaching thereto under this Contract or at law and OPS Confidential Information shall not include the terms of this Contract;

“Parties” means the Ministry, BRI and LCBO;

“Person” includes any individuals, persons, firms, partnerships, joint ventures, unincorporated associations, trusts, corporations, government or public institution, or any combination thereof;

“Personal Information” means recorded information about an identifiable individual or that may identify an individual;

“Proceeding” means any action, claim, demand, lawsuit, or other proceeding;

“Processor” means a third-party with which BRI contracts that receives and physically treats and/or processes recovered Program Containers and Secondary Packaging such that they can be reused (i.e. refilled), recycled (i.e. used as feedstock in a manufacturing process or otherwise directed for beneficial use) or disposed of (on land, by incineration or otherwise);

“Program Charges” means the charges defined in section 1.9 of Part E of Schedule 1;

“Program Containers” means all beverage alcohol (including beer) containers greater than one hundred (100) mL in size sold in the province of Ontario that are not subject to the BRI Beer Container Recovery System;

“Record”, for the purposes of this Contract, means any recorded information, including any Personal Information, in any form: (a) provided by the Ministry or LCBO to BRI, or provided by BRI to the Ministry or LCBO, for the purposes of this Contract; or (b) created by BRI in the performance of this Contract; and shall include or exclude any information specifically described in Schedule 1;

“Reference Date” means February 6, 2012;

“Requirements of Law” mean all applicable requirements, laws, statutes, codes, acts, ordinances, orders, decrees, injunctions, by-laws, rules, regulations, official plans, permits, licences, authorizations, directions, and agreements with all Authorities, in each case, having the force of law, and that now or at any time hereafter may be applicable to either this Contract or the Deliverables or any part of them;

“Responsible Stewardship Report” means the annual packaging report prepared by BRI pursuant to section 35 of the *Waste Diversion Act, 2002* (Ontario);

“Return Rate” means the percentage equivalent of C/D, with C being the total number of Program Containers returned to BRI for refunds of Deposits during the applicable period, and with D being the total number of Program Containers sold in Ontario during the applicable period;

“Return Rate Committee” means the committee described in section 1.24 of Part J of Schedule 1 to this Contract;

“Reviewable Stores” means, collectively, (a) each LCBO Store having annual liquor (as defined in the *Liquor Control Act* (Ontario)) sales (excluding beer sales) to retail consumers calculated monthly on a trailing 12-month basis of more than 550,000 litres, where a BRI Return Location is in excess of 3.0 kilometres from such LCBO Store; and (b) each BRI Store where a BRI Return Location that accepts Bulk Returns from retail consumers is in excess of 15 kilometres from such BRI Store; provided, however, an LCBO Store shall not be a Reviewable Store if (i) such LCBO

Store initially opened for business after September 1, 2011, or (ii) such LCBO Store was open for business on September 1, 2011 but moved to a location outside the applicable number of kilometers from a BRI Return Location as specified in clause (a) of this definition;

“**Schedule 1**” means Schedule 1 of this Contract (Schedule of Definitions, Deliverables, Fees and Supplementary Provisions);

“**Secondary Packaging**” means boxboard and corrugated cardboard cases, plastic and paper bags and hi-cone rings accompanying Program Containers;

“**Step in Rights**” means the right of the Ministry to operate one or more Deposit return facilities or retain a third-party to operate one or more Deposit return facilities, in each case, in specified geographic areas, all in accordance with, and limited to, the Ministry’s Step in Rights set forth in Part D of Schedule 1;

“**Term**” means the period of time from the Reference Date up to and including the earlier of: (i) the Expiry Date or (ii) the date of termination of this Contract in accordance with its terms, subject to extension to the expiry of any Transition Period pursuant to section 6.3, and “**Year of the Term**” means each twelve (12) month period calculated from and including the Reference Date to the end of the Term;

“**Transition Period**” means the period of time pursuant to section 6.3; and

“**Wine Stores and Winery, Distillery and Brewery Stores**” means the retail outlets from time to time owned and operated, directly or indirectly, by wineries that manufacture Ontario wines, manufacturers of spirits or manufacturers of beer in the Province of Ontario for the sale of such wineries’ or manufacturers’ beverage alcohol to the public in the Province of Ontario.

PART B: DELIVERABLES (RESULTS BASED PERFORMANCE)

BRI agrees to provide the Deliverables, from and after the Reference Date, during the Term of this Contract, on and subject to the following terms and conditions:

1.1 Empty Program Container Deliverables

1.1.1 BRI Return Locations – Consumer Returns

1.1.1.1 **Acceptances and Refunds** – subject to section 1.1.6 of this Schedule 1, BRI agrees to accept at all BRI Stores that accept returns of empty BRI Beer Containers and/or empty refillable beer containers, during normal business hours of operation, returns of empty Program Containers and Secondary Packaging, except for Bulk Returns, and to refund in full Deposits in cash.

1.1.1.2 **Bulk Returns** – subject to section 1.1.6 of this Schedule 1, BRI agrees to accept at all BRI Distribution Centers and BRI Stores that accept Bulk Returns, during normal business hours of operation for returns of Bulk Returns, Bulk Returns of empty

Program Containers and Secondary Packaging and to refund in full Deposits in cash, by cheque or by electronic funds transfer.

1.1.1.3 **BRI Return Locations** – BRI may, in consultation with the Ministry, assign any location, in addition to or instead of a BRI Store or BRI Distribution Center for the purpose of accepting returns of empty Program Containers and Secondary Packaging.

1.1.1.4 **Comparable Treatment** – subject to section 1.1.6 of this Schedule 1, in the provision of Deliverables at BRI Return Locations as contemplated in this section 1.1.1 of this Schedule 1, BRI agrees that consumers returning empty Program Containers will receive the same level of customer service BRI provides to consumers returning empty BRI Beer Containers at BRI Return Locations.

1.1.2 **Collections – Licensee Returns**

1.1.2.1 **Acceptances and Refunds** – subject to section 1.1.6 of this Schedule 1, BRI shall collect, at BRI's cost, empty Program Containers and Secondary Packaging from Licensees and will refund to such Licensees the full Deposits, all in accordance with BRI's usual and customary practices in effect with respect to the BRI Beer Container Recovery System.

1.1.2.2 **Comparable Treatment** – subject to section 1.1.6 of this Schedule 1, in the provision of Deliverables to Licensees as contemplated in this section 1.1.2 of this Schedule 1, BRI agrees that Licensees returning empty Program Containers will receive the same level of customer service BRI provides to Licensees returning empty BRI Beer Containers, including that BRI will adopt its dispute resolution process that exists with respect to the BRI Beer Container Recovery System regarding Licensees to address any complaints that affect such Licensees in connection with BRI's obligations under this Contract.

1.1.2.3 **Idem** – subject to section 1.1.6 of this Schedule 1, nothing in section 1.1.2.1 of this Schedule 1 shall prevent a Licensee from entering into any arrangement with a third-party to collect empty Program Containers and Secondary Packaging and return the same to a BRI Return Location for a refund in full of Deposits in cash or cash equivalents; however BRI shall have no responsibility for such arrangements and shall refund any Deposits in full to the Person who returns such Program Containers and Secondary Packaging at such location and not to the Licensee. BRI hereby agrees that the policies to be established and maintained by it pursuant to section 1.1.6 of this Schedule 1 will require all such third-party commercial haulers to be registered with BRI such that they will be required to acknowledge and agree to BRI's policies as a condition to such registration.

1.1.3 **EBDs**

1.1.3.1 **Acceptances and Refunds** – subject to section 1.1.6 of this Schedule 1, BRI shall cause EBDs to accept returns of empty Program Containers and Secondary

Packaging, during their respective normal hours of operation and refund in full Deposits in cash.

1.1.3.2 **Compensation** – BRI shall pay EBDs reasonable compensation, as determined by BRI in its discretion, for the services provided thereby described in section 1.1.3.1 of this Schedule 1 and section 1.1.5 of this Schedule 1.

1.1.3.3 **BRI Collection and Refund** – subject to section 1.1.6 of this Schedule 1, BRI will collect, at BRI's cost, all empty Program Containers and Secondary Packaging from EBDs and will refund to EBDs the full Deposits, in accordance with BRI's usual and customary practice.

1.1.3.4 **Comparable Treatment** – subject to section 1.1.6 of this Schedule 1, in the provision of Deliverables to EBDs as contemplated in this section 1.1.3 of this Schedule 1, BRI agrees that EBDs returning empty Program Containers will receive the same level of customer service BRI provides to EBDs returning empty BRI Beer Containers, including that BRI will adopt its dispute resolution process that exists with respect to the BRI Beer Container Recovery System regarding EBDs to address any complaints that affect such EBDs in connection with BRI's obligations under this Contract.

1.1.3.5 **LCBO Stores acting as EBDs** – BRI will use its commercially reasonable efforts to establish new EBDs in locations where none exist in order to replace LCBO Stores acting as EBDs in such locations.

1.1.4 **Agency Stores**

1.1.4.1 **Acceptances and Refunds** – the Ministry shall cause Agency Stores to accept returns of empty Program Containers and Secondary Packaging, during their respective normal hours of operation, and refund in full Deposits in cash and to deal with BRI as is necessary for BRI to perform its obligations hereunder.

1.1.4.2 **Compensation** – BRI shall pay Agency Stores reasonable compensation, as determined by BRI in its discretion, for the services provided thereby as described in section 1.1.4.1 of this Schedule 1 and section 1.1.5 of this Schedule 1; such compensation to be determined in a manner similar to EBDs.

1.1.4.3 **BRI Collection and Refund** – subject to section 1.1.6 of this Schedule 1, BRI will collect, at BRI's cost, all empty Program Containers and Secondary Packaging from Agency Stores and will refund to Agency Stores the full Deposits, in accordance with BRI's usual and customary practice.

1.1.4.4 **Comparable Treatment** – subject to section 1.1.6 of this Schedule 1, in the provision of Deliverables to Agency Stores as contemplated in this section 1.1.4 of this Schedule 1, BRI agrees that Agency Stores returning empty Program Containers will receive the same level of customer service BRI provides to Agency Stores returning empty BRI Beer Containers, including that BRI will adopt its dispute resolution process that exists with respect to the BRI Beer Container Recovery System regarding Agency

Stores to address any complaints that affect such Agency Stores in connection with BRI's obligations under this Contract.

1.1.5 **Program Container and Secondary Packaging Sorting**

1.1.5.1 **BRI Return Locations** – BRI will sort all Program Containers and Secondary Packaging accepted by it in a manner such that it can recover, consolidate and process for reuse and recycling consistent in all material respects with the performance of its obligations hereunder, including the environmental performance requirements in Part C of this Schedule 1.

1.1.5.2 **EBDs** – BRI shall cause EBDs to sort Program Containers and Secondary Packaging accepted by them in a manner determined by BRI, acting reasonably, such that BRI can recover, consolidate and process for reuse and recycling consistent in all material respects with the performance of its obligations hereunder, including the environmental performance requirements in Part C of this Schedule 1.

1.1.5.3 **Agency Stores** – the Ministry shall cause Agency Stores to sort Program Containers and Secondary Packaging accepted by them in a manner determined by BRI, acting reasonably, such that BRI can recover, consolidate and process for reuse and recycling consistent in all material respects with the performance of its obligations hereunder, including the environmental performance requirements in Part C of this Schedule 1.

1.1.6 **Policies**

1.1.6.1 **Policies** – BRI may in its discretion impose policies, from time to time, governing the return and sorting of Program Containers and Secondary Packaging, and the verification by BRI thereof, that it considers reasonable or necessary in the circumstances.

1.1.6.2 **Non-Acceptance** – without limiting section 1.1.6.1 of this Schedule 1, BRI need not accept a Program Container or Secondary Packaging, nor refund a Deposit, if: (a) the Program Container or Secondary Packaging is broken or contaminated (or inextricably mixed with contaminated material) or otherwise deemed unsuitable for processing or recycling; (b) the container can reasonably be identified by BRI as not being a Program Container; or (c) the policies in effect from time to time are not complied with in all material respects by the applicable consumer, Licensee, EBD and/or Agency Store.

1.1.6.3 **Additional BRI Fees/Reduction in Compensation** – BRI may, if it determines, in its discretion, to accept Program Containers and Secondary Packaging from Licensees, EBDs and/or Agency Stores that are not handled, sorted or otherwise prepared for collection in accordance with BRI's policies then in effect: (a) charge the applicable Licensee, EBD or Agency Store reasonable handling, sorting or other fees; or (b) reduce the compensation otherwise payable by BRI to such EBD or Agency Store in section 1.1.3.2 of this Schedule 1 and section 1.1.4.2 of this Schedule 1, respectively,

determined by BRI in its discretion as consideration for additional services required to be provided by BRI in order for BRI to meet its obligations hereunder, including the environmental performance requirements in Part C of this Schedule 1.

1.1.6.4 **Decision Final** – all decisions with respect to accepting containers, refunding Deposits or charging additional fees or reducing compensation in accordance with section 1.1.6.3 of this Schedule 1 shall be made by BRI in its discretion and shall be final, subject to BRI's dispute resolution process then in effect to address complaints affecting returns of Program Containers and BRI Beer Containers by Licensees, EBDs and/or Agency Stores.

1.1.7 **Communication of Policies** – BRI will provide copies of any policies (or amendments thereto), or otherwise communicate such policies, to the Ministry, LCBO, Licensees, EBDs and Agency Stores and will ensure that such policies are not unduly onerous so as to materially impair the effectiveness of the Deposit System.

1.1.8 **EBDs and Agency Stores** – BRI and the Ministry shall cause EBDs and Agency Stores, respectively, to comply with such policies to the extent each is obligated to accept and sort empty Program Containers and Secondary Packaging and refund Deposits.

1.1.9 **Recycling Administration**

1.1.9.1 **Administration** – BRI shall arrange for, and administer the reuse, recycling or disposition of all Program Containers and Secondary Packaging accepted or collected by BRI pursuant to this Contract, by one or more Processors, including transportation of such materials to Processors, in the manner described in the environmental performance requirements in Part C of this Schedule 1.

1.1.9.2 **Selection of Processor(s)** – Processor(s) shall be chosen by BRI in its sole discretion. Processors chosen by BRI shall process both BRI Cans and Program Cans and may process other BRI Beer Containers (and related secondary packaging) and Program Containers and Secondary Packaging.

1.2 **Processing Costs and Processing Revenue**

Each of BRI and the Ministry hereby acknowledge and agree that:

1.2.1 **Processing Costs** – all processing costs, charges, expenses and other amounts charged by Processors to BRI for the processing, recycling or disposal of BRI Beer Containers, related secondary packaging, Program Containers and Secondary Packaging shall be for the sole account of BRI.

1.2.2 **Processing Revenue** – all revenues generated by or on behalf of BRI from recycling or otherwise processing BRI Beer Containers, related secondary packaging, Program Containers and Secondary Packaging (including any waste diversion incentives) shall be for the sole account of BRI.

1.3 BRI Beer Container System, *etc.*

For greater certainty, the Deliverables provided under this Contract do not include any services provided by BRI: (a) pursuant to, or in connection with, the BRI Beer Container Recovery System; (b) under the 2000 Framework Agreement or the “New Beer Agreements” (other than this Contract) contemplated by the Master Framework Agreement; or (c) any other contracts between BRI and the LCBO existing as at September 1, 2011 or at the Reference Date. Notwithstanding the foregoing, the Ministry acknowledges and agrees that, in the performance of the Deliverables hereunder and the performance of BRI’s obligations under the BRI Beer Container Recovery System, Program Containers (and Secondary Packaging) and BRI Beer Containers (and related secondary packaging) will be commingled by BRI, EBDs, Licensees, Agency Stores and Processors; provided, however, such commingling shall not in any way limit BRI’s obligations herein with respect to separate counts (by unit by Deposit Category) for Program Containers other than Program Cans.

1.4 Outsourcing

BRI may retain third-party providers, as it considers necessary or desirable to assist in connection with the Deliverables provided under this Contract; provided BRI will remain primarily responsible for any such outsourcing; provided, however, BRI shall only be responsible for the Processors retained by it to the extent expressly set forth herein.

PART C: ENVIRONMENTAL PERFORMANCE REQUIREMENTS

The Ministry and BRI acknowledge and agree that environmental performance of the Deposit System is one of the principal indicators of the success of the Deposit System established hereby. Furthermore, the Ministry has indicated its desire to ultimately achieve the goals of (i) ensuring that a significant percentage of glass Program Containers collected by BRI under this Contract will be recycled for Higher End Recycling Uses, (ii) ensuring that recycling of Program Containers and Secondary Packaging are only recycled for uses other than Higher End Recycling Uses as a last resort, (iii) significantly reducing the number of Program Containers that end up in landfill or are incinerated, including that 0% of glass Program Containers collected by BRI under this Contract will be disposed of through landfill, by incineration or otherwise, (iv) ensuring that BRI and its Processors actively promote the recycling of Program Containers and Secondary Packaging collected by BRI under this Contract, and (v) an overall Program Container Return Rate target of 85% by December 31, 2018 (the “**Environmental Performance Goals**”), and BRI has indicated its desire to assist the Ministry in achieving such Environmental Performance Goals. In recognition of the challenges of the Deposit System, the Ministry and BRI agree as follows:

- (a) BRI agrees that all Program Containers and Secondary Packaging collected by BRI under this Contract will be sent to Processors and that no such Program Containers or Secondary Packaging will be sent directly by BRI for disposal through landfill, by incineration or otherwise;

- (b) BRI agrees that no glass Program Containers collected by BRI under this Contract will be disposed of either by BRI or Processors through landfill, by incineration or otherwise;
- (c) BRI agrees, and shall require Processors to agree, to (i) actively promote the recycling of Program Containers and Secondary Packaging collected by BRI under this Contract; (ii) explore existing recycling markets for all Program Containers and Secondary Packaging collected by BRI under this Contract; (iii) explore innovative or new recycling markets for Program Containers and Secondary Packaging collected by BRI under this Contract given BRI's and the Processors' respective experience in dealing with recyclable materials and the potential for influence by them by virtue of the quantity and types of materials collected by BRI pursuant to this Contract; and (iv) should the *Waste Diversion Act, 2002* or its successor statute lead to an increased focus on refillable beverage containers, examine and identify ways that manufacturers can recapture their Program Containers for refilling.
- (d) BRI shall require Processors with which it contracts pursuant to BRI's obligations under this Contract to commit to the environmental performance requirements set out in this Part C of this Schedule 1 and shall also require them to acknowledge and support the Environmental Performance Goals;
- (e) the Ministry agrees that, subject to compliance with BRI's obligations in paragraph (a) of this Part C of this Schedule 1, a breach by any such Processor of the environmental performance requirements set forth herein in any material respect shall not constitute a breach by BRI of its obligations under this Contract provided BRI is diligently enforcing its contractual rights against such Processor for any such breach;
- (f) BRI agrees that, in addition to the termination rights in favour of the Ministry set forth in section 6.1(e) of this Contract, should BRI breach in any material respect its obligations set forth in paragraph (a) of this Part C of this Schedule 1, BRI shall not be entitled to receive the Fees otherwise chargeable under the terms of this Contract for such Program Containers not so sent to Processors (or, if such Fee had previously been charged, such Fees shall be credited against one or more of BRI's subsequent invoices). For greater certainty, Deposits shall, notwithstanding such event, be refunded by LCBO to BRI in accordance with this Contract in respect of such Program Containers;
- (g) BRI agrees that Processors of glass Program Containers and Secondary Packaging collected by BRI under this Contract will be required to give priority to Higher Order Recycling Use markets for the receipts of such glass such that demand from all such Higher Order Recycling Use accessible markets is explored and, to the extent economically accessible, exhausted, before any such glass is used in lower order applications (i.e. the use of glass as aggregate replacement);

- (h) BRI agrees that Processors of non-glass Program Containers and Secondary Packaging collected by BRI under this Contract will:
 - (i) Identify markets for such non-glass Program Containers and Secondary Packaging as a condition of service to BRI and make arrangements for the receipt of such non-glass Program Containers and Secondary Packaging by those markets; and
 - (ii) Identify instances where markets for such non-glass Program Containers and Secondary Packaging are, in consultation with BRI, either unavailable or economically inaccessible;
- (i) The Ministry agrees it will notify BRI of any proposed or pending introduction of new types of Program Containers and/or Secondary Packaging that are not in the Deposit System as of September 1, 2011 (or changes to then existing Program Containers and/or Secondary Packaging such that they contain materials or are comprised of materials not then in the Deposit System (or the relative composition of materials changes) ("**New Program Containers and Secondary Packaging**") so as to enable Processors to identify recycling markets for these New Program Containers and Secondary Packaging;
- (j) BRI agrees that Processors of New Program Containers and Secondary Packaging collected by BRI under this Contract will:
 - (i) Identify markets for such New Program Containers and Secondary Packaging as a condition of service to BRI and make arrangements for the receipt of such New Program Containers and Secondary Packaging by those markets; and
 - (ii) Identify instances where markets for such New Program Containers and Secondary Packaging are, in consultation with BRI, either unavailable or economically inaccessible;
- (k) Only in the event BRI determines that recycling markets for non-glass Program Containers and Secondary Packaging referenced in paragraph (h) of this Part C of Schedule 1 and/or for New Program Containers and Secondary Packaging referenced in paragraph (i) of this Part C of this Schedule 1 are either unavailable or economically inaccessible will, following prior written notice to the Ministry (which shall include written documentation supporting BRI's analysis of economic accessibility or economic inaccessibility, as applicable), it permit Processors to dispose of such containers and packaging through landfill, by incineration or otherwise;
- (l) The Ministry agrees that nothing in this Contract, including the Environmental Performance Goals, will preclude the disposal by Processors through landfill, by incineration or otherwise of:

- (i) The residual by-products obtained from the processing of Program Containers, Secondary Packaging and/or New Program Containers and Secondary Packaging collected by BRI under this Contract for reuse or recycling; and
 - (ii) A nominal amount (by weight and/or unit) of Program Containers, Secondary Packaging and/or New Program Containers and Secondary Packaging from time to time as a result of accidents or one or more unforeseen incidents or circumstances provided such accidents, incidents or circumstances (x) were not caused by the willful act or omission of either BRI or the applicable Processor, and (y) do not occur as part of the routine practice of either BRI or the Processor; and
- (m) **i. Return Rates for Program Containers**

In each Responsible Stewardship Report, BRI shall include the Return Rates and will report on the performance of the Deposit System in relation thereto.

ii. General Materials Handling

BRI agrees that, in the performance of its obligations under the Contract, to the extent applicable to BRI in respect of such performance, it will comply with the following statutes, or successor statutes (and the regulations thereunder) as in effect from time to time (collectively, “**Applicable Laws**”):

- (i) *Environmental Protection Act* (Ontario);
- (ii) *Workplace Safety and Insurance Act, 1997* (Ontario);
- (iii) *Occupational Health and Safety Act* (Ontario); and
- (iv) *Waste Diversion Act, 2002* (Ontario).

BRI further agrees that it shall require all Processors with which it contracts in respect of BRI’s obligations under the Contract to agree, in the performance of such Processor’s obligations under such contract, to comply with Applicable Laws to the extent applicable to the Processor in respect of its performance under such contract. For purposes hereof, Applicable Laws shall, if and to the extent the performance of obligations referenced herein is performed in a jurisdiction other than Ontario, refer to applicable statutes and regulations in effect in the applicable jurisdiction(s) having similar purposes as the above-referenced statutes and related regulations.

PART D: MINISTRY'S STEP IN RIGHTS

1.5 Ministry Step-in Rights

- 1.5.1 Each of BRI and the Ministry agrees that the Ministry shall monitor the communities serviced by each Reviewable Store as may from time to time exist after the Reference Date and that the Ministry may at any time and from time to time provide BRI with written notice of its intent to establish an additional return location within the applicable vicinity of each Reviewable Store (such vicinity being the applicable number of kilometres specified in the definition of Reviewable Stores).
- 1.5.2 Within sixty (60) days following receipt of any notice from the Ministry referenced in section 1.5.1 of this Schedule 1, BRI shall provide notice to the Ministry indicating whether it is willing to establish additional locations such that all or some of such Reviewable Stores will cease to be such by virtue of a BRI Return Location (or a BRI Return Location that accepts Bulk Returns in the case of a Reviewable Store referenced in paragraph (b) of the definition thereof) being located within the applicable vicinity (such vicinity being the applicable number of kilometres specified in the definition of Reviewable Stores). If BRI indicates in such notice that it is willing to establish all or some of such locations, BRI shall establish such locations as soon as practicable and in any event within one hundred and eighty days (180) of such notice and such location or locations shall be a BRI Return Location for all purposes hereof. If BRI fails to provide such notice within such time frame, or if such notice indicates that BRI is not willing to establish all such additional locations, the Ministry shall have the right in its sole discretion to (a) refer the matter to Dispute Resolution under Part H of this Schedule 1, or (b) establish and operate, or appoint a third-party to do either or both, such additional locations that BRI did not indicate it is willing to establish (or those that BRI fails to establish within the one hundred and eighty (180) day period referenced in this section 1.5.2 of this Schedule 1) to accept and collect empty Program Containers (or, if applicable, Bulk Returns) from retail consumers and Secondary Packaging and refund Deposits, all at the Ministry's cost and expense and, in such a case, BRI agrees to accept returns of empty Program Containers and Secondary Packaging from such locations, and refund Deposits paid thereby, all subject to section 1.1.6 of this Schedule 1. BRI shall be entitled to receive Fees and refunds of Deposits from the Ministry in accordance with the terms of this Contract for the Deliverables provided in respect of each additional return location established by BRI, the Ministry or such third-party as contemplated in this section 1.5.2 of this Schedule 1.

1.6 Notice of Retail Consumer Complaints

The Ministry and BRI shall keep each other reasonably well informed as to the retail consumer complaints received by them in respect of Reviewable Stores, including, where practicable, by providing copies of such complaints received in writing (or summaries of complaints received orally), as well as by providing Information regarding the resolution thereof, if any.

1.7 Changes in BRI Return Locations

Nothing in section 1.5 of this Schedule 1, or anything else herein contained, shall preclude BRI from opening, closing, or relocating one or more BRI Return Locations (including BRI Return Locations that accept Bulk Returns) from time to time or at any time in its discretion. The Parties acknowledge, however, that should BRI open or relocate one or more BRI Return Locations within the applicable vicinity of a Reviewable Store (such vicinity being the applicable number of kilometres specified in the definition thereof), then the applicable LCBO Store or BRI Store, as the case may be, shall, following such opening or relocation, cease to be a Reviewable Store for all purposes hereof. The Parties also acknowledge that, should BRI permanently close one or more BRI Return Locations within the applicable vicinity of a Reviewable Store (such vicinity being the number of kilometres specified in the definition thereof), then the applicable LCBO Store or BRI Store, as the case may be, shall, following such closure, be a Reviewable Store for all purposes hereof.

1.8 Co-location

The Parties acknowledge that nothing in this Schedule 1 or this Contract shall be construed as an obligation on the LCBO to co-locate stores with BRI or as an obligation on BRI to co-locate stores with the LCBO.

PART E: MANNER, CALCULATION AND TIMING OF PAYMENTS

1.9 Invoices

Unless otherwise agreed to by the Parties, BRI shall deliver an invoice to the Ministry on Friday of every second week following the Reference Date, in respect of all Fees payable by the LCBO to BRI under this Contract and all Deposits refunded by BRI, in the preceding two week period (being the period commencing on Monday and ending on the second Sunday) (collectively, “**Program Charges**”). Each such invoice shall set out (i) the number of Program Non-Cans collected or accepted by BRI in such two week period, segregated by Deposit Category by BRI Return Location, (ii) the Aggregate DC Sold, the Aggregate DC Returned and the Return Rate DC for Program Cans and BRI Cans sold, collected or accepted by BRI in such two week period, as applicable, segregated by Deposit Category (including by deposit category for BRI Cans) by BRI Return Location, (iii) the number of Program DC Returns, (iv) the product of item (i) in this section 1.9 of this Schedule 1 multiplied by the applicable Fee and by the applicable Deposit, and (v) the product of item (iii) in this section 1.9 of this Schedule 1 multiplied by the applicable Fee and by the applicable Deposit.

1.10 Calculation of Program Charges

The Program Charges in respect of any invoice shall be equal to the sum of the Fees and Deposits for every Deposit Category, and shall be calculated according to the following methodology:

1.10.1 Program Containers – Non-Cans

The Program Charges in an applicable two week period with respect to Program Containers excluding any cans (“**Program Non-Cans**”) for every Deposit Category, shall be equal to the product of the number of units of Program Non-Cans accepted or collected by BRI, as reported in BRI’s Point of Sale system (or its successor system), multiplied by the applicable Fee and by the applicable Deposit payable or earned, as the case may be, in that two week period (“**Program Non-Can Charge**”).

1.10.2 Program Containers – Cans

1.10.2.1 The Program Charges in an applicable two week period with respect to Program Containers that are cans (“**Program Cans**”) shall be based on (a) the relative share of Program Cans and BRI Beer Containers which are cans (“**BRI Cans**”) sold in any two week period, and (b) the average aggregate rate of return of Program Cans and BRI Cans for every Deposit Category, and shall be calculated according to the following methodology:

1.10.2.1.1 BRI shall calculate the aggregate total number of Program Cans and BRI Cans sold by Deposit Category (including by deposit category for BRI Cans) in an applicable two week period (the “**Aggregate DC Sold**”), based in part on information provided under section 1.11 of this Schedule 1.

1.10.2.1.2 BRI shall calculate the aggregate total number of Program Cans and BRI Cans returned by Deposit Category (including by deposit category for BRI Cans) in an applicable two week period (the “**Aggregate DC Returned**”), as reported in BRI’s Point of Sale system (or its successor system). The quotient of the Aggregate DC Returned divided by the Aggregate DC Sold constitutes the deemed rate of return for Program Cans in each such Deposit Category (“**Return Rate DC**”).

1.10.2.1.3 The number of Program Cans by Deposit Category returned in a two week period (the “**Program DC Returns**”) shall be deemed to be the product of Return Rate DC for the applicable Deposit Category for the applicable two week period multiplied by the number of Program Cans sold by such Deposit Category in such two week period, regardless of the actual number of returns.

1.10.2.1.4 Based on the Program DC Returns, the amount payable to BRI in respect of the Fees and Deposits for a Deposit Category for Program Cans shall be calculated by multiplying the applicable Program DC Return by the applicable Fee and by the applicable Deposit (“**DC Charge**”).

1.10.2.1.5 The applicable Program Charge in respect of Program Cans is then calculated by adding, for every Deposit Category, all DC Charges payable or earned, as the case may be, in that two week period (“**Program DC Can Charge**”).

1.10.3 **Program Charge** – the applicable Program Charge is then calculated by adding the Program Non-Can Charge to the Program DC Can Charge payable or earned, as the case may be, in that two week period.

1.10.4 **Reconciliation** – reconciliation of container counts, shares and charges in this section 1.10 of this Schedule 1 is subject to the adjustment protocols described in Part G of this Schedule 1.

1.11 Information

The Ministry shall provide, or cause to be provided, to BRI all information reasonably required by BRI to calculate the Program Charges on a bi-weekly basis, to comply with any reporting obligations required under the Requirements of Law, including section 35 of the *Waste Diversion Act, 2002* (Ontario) and to otherwise perform its obligations and Deliverables as contemplated under this Contract. Without limiting the generality of the forgoing, such information shall include the number of Program Containers sold in each two week period, segregated by Program Non-Cans and Program Cans, each segregated by Deposit Category, and a monthly list of LCBO Stores, showing sales (excluding beer), by litre volume, at each such store to retail consumers, calculated on a trailing 12-month basis.

1.12 Timing

Unless otherwise agreed to between the Parties, LCBO shall pay the amounts owing to BRI shown on a complete invoice on or before the thirtieth (30th) day (or, if such day is not a Business Day, the immediately preceding Business Day) after delivery of the invoice for Program Charges set forth in the applicable invoice. All payments required to be made hereunder to BRI shall be paid to or to the order of BRI by electronic funds transfer in immediately available funds to such accounts at such banks in the Province of Ontario as BRI shall have notified LCBO, or by such other method as BRI and the Ministry, on behalf of LCBO, may from time to time agree.

PART F: DEPOSITS AND FEES

1.13 Deposits

1.13.1 Refunds and Unredeemed Deposits

LCBO shall pay to BRI the Deposits that BRI refunds through or to BRI Return Locations, EBDs, Agency Stores and Licensees calculated as set forth in Part E of this Schedule 1.

The Ministry and LCBO acknowledge that the rate of Deposit refunds may exceed actual sales of Program Containers. Any unredeemed Deposits shall be for the sole account of the Province of Ontario.

1.13.2 Change in Deposits and Deposit Categories

The Ministry acknowledges that the Fees agreed upon by the Ministry and BRI are predicated on the Deposits and Deposit Categories in effect on September 1, 2011. Unless otherwise agreed to by BRI acting reasonably, and subject to Ontario pre- budget secrecy requirements, any proposed decrease in the Deposits and/or any changes to Deposit Categories shall require the Ministry to:

1.13.2.1 provide, or cause to be provided, to BRI at least one hundred and eighty (180) days prior notice (or such shorter period as the Ministry and BRI may agree) for any proposed change to Deposits and/or Deposit Categories;

1.13.2.2 enter into good faith negotiations with BRI to adjust the Fees to reflect the proposed change and implications on BRI's operations and provision of Deliverables hereunder, with the aim to making a consensus on adjustments, if any, to the Fees prior to the effective date of the proposed change; and

1.13.2.3 if, after such one hundred and eighty (180) day period, BRI and the Ministry are unable to agree on adjustments, if any, to the Fees, the then current Fees shall remain in effect until such disagreement is resolved pursuant to the Dispute Resolution procedures in Part H of this Schedule 1, with adjustment, if any, made to the Fees upon such resolution, with retroactive effect from the time of implementation of the change to Deposits and/or Deposit Categories;

provided, however, there will be no change to the Fee where Program Containers of a type are introduced into the Deposit System after September 1, 2011 (or changes to existing Program Containers such that they contain materials or are comprised of materials not in the Deposit System as of such date (or the relative composition of materials changes following such date)) are added to the existing Deposit Categories of either "Tetra Pak (polycoat) and Bag-in-a-Box less than or equal to 630mL" or "Tetra Pak (polycoat) and Bag-in-a-Box over 630mL".

1.14 Fees

LCBO shall pay to BRI the Fees earned by BRI in respect of Program Containers accepted or collected pursuant to the Deposit System in the following amounts throughout the Term calculated as set forth in Part E of this Schedule 1. The Ministry acknowledges that the number of Program Containers accepted or collected may exceed actual sales of Program Containers in a given invoice period. Fees shall be \$0.1081 per Program Container during the Term. BRI shall provide a rebate to the LCBO in the amount of \$1,000,000 as a deduction from BRI's first July bi-weekly invoice each Year of the Term with the exception that such rebate will be on a pro-rated basis in respect of 2015 and 2025 based upon the number of days in each of those years falling within the Term. For greater certainty, the 2015 rebate will be calculated based on the period from October 1, 2015 to December 31, 2015. In respect of the 2015 pro-rated payment, the rebate will be made as a deduction from BRI's first bi-weekly invoice following November 15, 2015. In the event that BRI's Fees in the first July bi-weekly invoice in any Year of the Term are less than \$1,000,000, LCBO shall pay BRI nothing in respect of such invoice and

BRI shall reduce its next bi-weekly invoice or invoices by an amount equal to the amount by which its first July bi-weekly invoice is less than \$1,000,000.

PART G: VERIFICATION PROTOCOLS (COMPLIANCE)

1.15 Auditor

BRI and the Ministry acknowledge that the Ministry may appoint, at its sole expense and discretion, an independent auditor (which may be the Provincial Auditor or an internal auditor of OPS, each of which shall be deemed to be independent for purposes hereof, but which may not be LCBO) to prepare an auditor's report and undertake such verification activities as may be required by the Ministry in respect of this Contract and the Deposit System (including attestation of material flows and the auditing of recycled materials); provided, however, such auditor shall not undertake any audit of BRI and such auditor shall be limited in scope and access to that expressly set forth in this Part G of this Schedule 1. The Ministry agrees that it shall not appoint as its auditor or reviewer a Person or Agency who may have a conflict with BRI (including LCBO). The Ministry may also appoint, at its sole expense and discretion, an independent external reviewer to undertake the non-audit activities set forth in this Part G of this Schedule 1, with such review being limited in scope and access to that expressly set forth in this Part G of this Schedule 1.

1.16 Review and Verification

In order to ensure the accuracy of Program Container counts and material recycled, BRI and the Ministry agree as follows:

1.16.1 Container returns and redemption of Deposits on Containers:

1.16.1.1 At BRI Return Locations where Deposits are redeemed, BRI agrees to retain for audit purposes and make available to the Ministry and/or its appointee appointed pursuant to section 1.15 of this Schedule 1:

- daily cash register tapes or bin count sheets, as applicable, listing number of Program Containers returned by Deposit Category;
- daily reconciliations of cash to all containers (i.e., BRI Beer Containers, refillable BRI beer containers and Program Containers) received at BRI Stores;
- weekly reconciliations of cash to all containers (i.e., BRI Beer Containers, refillable BRI beer containers and Program Containers) received at BRI Return Locations (other than BRI Stores);
- complete audit trail of the number of Program Containers returned by Deposit Category; and

- BRI policies and internal control procedures relating to the segregation of all containers (i.e., BRI Beer Containers, refillable beer containers and Program Containers) for recording purposes.

1.16.1.2 BRI agrees that all BRI Return Locations will be equipped with empty till registers capable of recording Program Container returns from retail consumers.

1.16.1.3 The Ministry and BRI agree that the Ministry and/or its appointee appointed pursuant to section 1.15 of this Schedule 1 may conduct the audits and other verifications as set out below:

- preparation of an auditor's report on the accuracy of the number of Program Containers redeemed for each reporting period of this Contract (such report to be prepared in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants (the "**Assurance Engagement Standards**"));
- perform analytical review of key performance indicators by BRI;
- conduct surprise store visits during non-peak hours of operation;
- implementation of an independent and impartial mystery shopper program performed periodically at the Ministry's sole cost; and
- spot checks of returned Program Containers at BRI Return Locations during non-peak hours of operation.

1.16.2 **Recycled Material**

1.16.2.1 In its contracts with Processors entered into after September 1, 2011, BRI agrees to use its commercially reasonable efforts to require Processors to retain records for audit purposes by, and make such records available to, the Ministry and/or its appointee appointed pursuant to section 1.15 of this Schedule 1 to conduct audits of recycled materials.

1.16.2.2 BRI agrees to retain for audit purposes and make available to the Ministry and/or its appointee appointed pursuant to section 1.15 of this Schedule 1:

- calculations by BRI Return Locations showing the conversion of Program Containers redeemed to weight using standard average weight by Deposit Category;
- monthly calculations to determine standard Deposit Category weights;
- complete audit trail of recycled material (e.g. retail/depot shipping bills of lading indicated by recycling category and by carrier);

- Processor receipts by Deposit Category;
- verifiable written semi-monthly assurance from Processors that Processors are complying with environmental performance requirements set forth in Part C of this Schedule 1;
- a semi-annual written outline of the processing, by weight, of the following Program Containers and Secondary Packaging collected by BRI under the Contract during such period through to the point of final processing and disposition (that is, to the point of sale to an end user of such processed Program Containers and Secondary Packaging, but excluding such end user itself), that includes a general description, by weight, of how the materials were processed by each Processor (and each sub-processor thereof) during such period, shall be provided to the Ministry on or before the end of the fourth month following each semi-annual period ending April 30 and October 30 in each year: (i) glass Program Containers, (ii) Program Cans, (iii) PET Program Containers, and (iv) Secondary Packaging; and
- a semi-annual written report from each Processor of the amount, by weight, of the following Program Containers and Secondary Packaging collected by BRI under the Contract during such period sent by such Processor to landfill or incinerated due to contamination or for other reasons specified in paragraph (1)(ii) of *Part C Environmental Performance Requirements* of Schedule 1 during such period shall be provided to the Ministry on or before the end of the fourth month following each semi-annual period ending April 30 and October 30 in each year: (i) glass Program Containers, (ii) Program Cans, (iii) PET Program Containers, and (iv) Secondary Packaging.

The Ministry and BRI acknowledge that BRI's processing of Tetra Pak Program Containers and the component parts of Bag-in-Box Program Containers (that is, the bladders (bags) and boxes) are blended by BRI with the applicable Secondary Packaging, and that there is no separate weighing of such Program Containers (nor the component parts thereof). The Ministry and BRI further acknowledge that it is therefore not possible for BRI or Processors to separately report on either such Program Containers and that such Program Containers will be included, although not separately identified, within the report on Secondary Packaging. BRI may, at its option, separately report in the foregoing semi-annual reports in respect of Tetra Pak Program Containers and/or Bag-in-Box Program Containers.

For purposes of the above-referenced semi-annual reports, the amounts determined by BRI and Processors will be estimates only, and will be based on the amount, by weight, of such materials provided by BRI to a Processor in relation to the amount, by weight, of such materials processed by such Processor (which will likely include non-Program

Containers, including containers and packaging from the BRI Beer Container Recovery System, all of which will likely be commingled).

If the Responsible Stewardship Report prepared by BRI in any year includes the information, on an annual (as opposed to semi-annual) basis, required to be included in the above-referenced semi-annual reports for the annual period ended April 30 in that year, then the reports for the semi-annual period ended April 30 in such year (which would otherwise be due to be provided by BRI or a Processor on or before August 31) do not need to be provided by BRI or a Processor.

1.16.2.3 The Ministry and BRI agree that the Ministry and/or its appointee appointed pursuant to section 1.15 of this Schedule 1 may conduct audit verifications as set out below:

- Conduct surprise visits and perform substantive spot checks of Program Containers returned; and
- Audit BRI and, provided the contracts between BRI and the applicable Processor so permit, Processors, to verify material flows and disposition of Program Containers and Secondary Packaging, including conducting a “follow the waste” review that enables the Ministry to understand and report on how Processors handle the Program Containers and Secondary Packaging collected through the Deposit System. The findings from Ministry audits of Processors and any statements or attestations provided by Processors to the Ministry and/or its appointee will be held as confidential among BRI, the Ministry/appointee and the Processor.

1.16.2.4 Prior to finalization of each Responsible Stewardship Report, BRI agrees to provide a draft copy of the latest version of the Responsible Stewardship Report to the Ministry no later than three (3) weeks in advance of providing it to Waste Diversion Ontario. The Ministry shall review and may, acting reasonably, require changes to all content specifically related to the Deposit System and all content referencing the Deposit System. For greater certainty, the Ministry’s right of approval shall not pertain to content in the Responsible Stewardship Report that pertains to the BRI Beer Container Recovery System.

1.16.3 **Billings**

1.16.3.1 BRI agrees to retain for audit purposes and make available to the Ministry and/or the appointee appointed pursuant to section 1.15 of this Schedule 1, the sales split (Program Cans and BRI Cans) and redemption adjustment for Deposit Categories based on sales.

1.16.3.2 BRI agrees to retain for audit purposes and make available to the Ministry and/or the appointee appointed pursuant to section 1.15 of this Schedule 1, the full audit trail and details for the invoices for Fees and Deposit refunds under this Contract.

1.16.3.3 The Ministry and BRI agree that the Ministry or its appointee appointed pursuant to section 1.15 of this Schedule 1 may conduct the audit verifications set out below:

- perform analytical review of key performance indicators by BRI;
- preparation of an auditor's report on the accuracy of BRI's billings recovered for each reporting period of this Contract (such report to be prepared in accordance with the Assurance Engagement Standards);
- redemption split for Program Cans and BRI Cans by Deposit Category;
- perform substantive testing; and
- perform compliance testing on sales splits by Program Cans and BRI Cans by Deposit Category.

1.17 Report and Response

The Ministry or its appointee appointed pursuant to section 1.15 of this Schedule 1 shall provide BRI with a written report (the "**Report**") that outlines any deficiencies of BRI identified by the Ministry or its appointee as a result of any audit or review permitted under the verification protocols established pursuant to section 1.16 of this Schedule 1, and BRI shall, within thirty (30) days of receipt of such Report, develop and present to the Ministry a written response ("**Response**") outlining:

- 1.17.1 timely corrective action with respect to such deficiencies, in which case BRI shall make all reasonable changes to address such deficiencies; or
- 1.17.2 disagreements with respect to the conclusions or recommendations in any Report, in which case the dispute shall be resolved in accordance with the Dispute Resolution procedures of Part H of this Schedule 1.

1.18 Reasonable Access and Assistance

In connection with, and limited to, the verification protocols established pursuant to section 1.16 of this Schedule 1, BRI shall:

- 1.18.1 **Reasonable Access** – subject to compliance by the Ministry, auditor and/or appointee, as applicable, permit the Ministry, auditor and/or appointee, as applicable, to have reasonable access to its premises and facilities and BRI Return Locations (collectively, "**BRI Premises**") as necessary with respect to the Deliverables described in this Contract, and will instruct its employees and advisors to cooperate with such Persons in connection with such access. The Ministry shall ensure that such Persons who access BRI Premises comply with any and all policies and guidelines of BRI related to the conduct of Persons on BRI Premises provided or communicated by

BRI to the Ministry from time to time, or of which the Ministry otherwise has actual notice.

- 1.18.2 **Reasonable Assistance** – make available to the Ministry, auditor and/or appointee, as applicable, at reasonable times to be agreed between the applicable Persons and BRI, those employees who have the necessary knowledge, experience and expertise to provide reasonable assistance to such Persons in their examination of information and material, in accordance with, and limited to, the protocols described in section 1.16 of this Schedule 1.

1.19 Adjustment

The Ministry may make adjustments (up or down) to subsequent invoices for Program Charges where any audit or verification performed under this Contract reveals discrepancies in past payments. If an adjustment is made after the final invoice then payment shall be made by LCBO or by BRI as applicable. This section 1.19 shall be subject to section 4.3 of this Contract and subject to the Dispute Resolution procedures in Part H of this Schedule 1 in the event of any disagreement in relation to such adjustment.

1.20 Retention of Records

BRI shall retain all written or electronic records generated by or on behalf of BRI in respect of the Deliverables and any invoices for the following periods:

- 1.20.1 **BRI Return Locations** – a rolling period of twelve (12) months for written records and a rolling period of nine (9) months for electronic records, in each case, from the date such record was created; and
- 1.20.2 **BRI Corporate Records** —a rolling period of seven (7) years for written and electronic records maintained at BRI's corporate offices (including summary records for all BRI Return Locations) from the date that such record was created.

PART H: DISPUTE RESOLUTION

1.21 Internal Escalation

Any disputes related to performance of the obligations outlined in this Contract that the Ministry Representative and the BRI Representative are otherwise unable to resolve will be addressed through the following process (and, for clarity, neither BRI nor the Ministry shall be entitled to exercise a termination right pursuant to section 6.1(b), section 6.1(c), section 6.1(e), section 6.5(a), section 6.5(d) or section 6.5(e) of the Contract in respect of a default in respect of which either BRI or the Ministry initiates the following escalation process unless such default continues following completion or other abandonment of such process or failure to complete the process in accordance with the terms herein specified):

1. The Ministry or BRI, as applicable, initiates escalation process (the “**Initiator**”) by providing written notice to their counterpart (i.e. Ministry Representative informs BRI Representative) that the Initiator intends to pursue this dispute resolution process.
2. Within three (3) Business Days of providing notice to their counterpart, the Initiator drafts a complete description of the issue including the preferred solution (the “**Issue**”) and circulates it to their counterpart.
3. Within three (3) Business Days of the counterpart having received the Issue, the Ministry Representative and the BRI Representative must meet for an Issue resolution conference (the “**Escalation Meeting**”).
4. If the Ministry Representative and the BRI Representative come to an agreement on the resolution of the Issue, they jointly document the corrective action.
5. If the Ministry Representative and the BRI Representative are unable to come to agreement on the resolution of the Issue within five (5) Business Days of the counterpart originally receiving the Issue, then they must forward the Issue including the minutes from the Escalation Meeting (which should clearly document the Issue, proposed corrective action, reason for inability to agree and other relevant information) to the Deputy Minister of the Ministry and the Chair of the Board of BRI.
6. The Deputy Minister of the Ministry and the Chair of the Board of BRI must have a meeting within twelve (12) Business Days, or such other time period as agreed to by the Ministry and BRI, to discuss the Issue, seek to define the resolution, and, if applicable, issue a joint resolution document; provided, however, if a joint resolution is not reached within the applicable time period, the provisions of section 1.22 of this Schedule 1 shall apply.

1.22 Arbitration

If any Issue is not resolved by way of a joint resolution document issued pursuant to the internal escalation procedures of section 1.22 of this Schedule 1, then either BRI or the Ministry may refer the Issue to arbitration conducted in accordance with the *Arbitration Act, 1991*, S.O. 1991, c. 17, as amended provided notice of arbitration is provided within ten (10) Business Days of the expiry of the applicable time period referenced in clause 6 of section 1.21 of this Schedule 1. The party commencing the arbitration shall do so by notice of arbitration delivered in writing to the other party identifying the Issue, the relevant facts, the remedy sought, and a proposed arbitrator. The party responding to the notice of arbitration shall deliver a response to the notice of arbitration in writing, setting out the responding party’s defences, the relevant facts, and the requested resolution of the issues in dispute within ten (10) Business Days. If the Ministry and BRI cannot agree on a single arbitrator within ten (10) Business Days after delivery of the notice of arbitration, then, unless otherwise agreed, the Ministry and BRI shall each appoint an arbitrator within five (5) Business Days thereafter, and the two arbitrators so designated will select a third arbitrator within ten (10) Business Days thereafter, all of whom must be experienced in commercial transactions. The arbitration shall be conducted in Toronto and shall be completed within thirty (30) Business Days of the appointment of the arbitrator(s), unless otherwise agreed

by the parties or the arbitrator(s) otherwise order(s) because special circumstances warrant an extension of time. The arbitrator(s) shall determine the procedures to be followed in the arbitration, with the nature, cost, time and burden of these procedures to be proportionate to the importance of the issues in dispute, the dollar amounts at issue and the complexity of the dispute. The arbitrator(s) shall have the power to award any remedy that, under Ontario Law, is within the power of an arbitrator to award. All decisions of such arbitrator or the majority decisions of such arbitrators will be final and binding upon the Ministry and BRI, with no right of appeal on any question of fact, law or mixed fact and law. Each of BRI and the Ministry shall bear their own costs in the arbitration, and the costs of the arbitration and of the arbitrator or arbitrators shall be borne equally by BRI and the Ministry.

1.23 LCBO

For the purpose of sections 1.21 and 1.22, any dispute relating to the performance of LCBO under this Contract shall be handled by the Ministry Representative on behalf of LCBO.

PART I: FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT RECORDS

The following chart lists recorded information that is to be included and excluded from the definition of “Record” contained in this Contract:

FIPPA Included and Excluded Records:

Items Included and Excluded from Definition of “Record”
<p>The following shall be included in the definition of Record under this Contract:</p> <p>Only that subject matter that would fall within the meaning of Record as defined under FIPPA.</p>
<p>The following shall not be included in the definition of Record under this Contract:</p> <p>Any report, document or information prepared by BRI or any third-party that is not in the physical possession of the Ministry or of the Government of Ontario or its Agencies. For greater certainty, nothing under this Contract is intended to contractually expand the scope or meaning of Records as defined under FIPPA or to create legal control over any such BRI or third-party report, document or information.</p>

PART J: COMMITTEES

1.24 Return Rate Committee

1.24.1 Mandate and Goal

From and after the Reference Date, the Parties will establish and participate in a Return Rate Committee. The mandate of the Return Rate Committee is to explore and develop, for

execution by the Parties, a strategic plan for awareness, promotion and communications to promote and sustain the Return Rate for Program Containers. The goal of the Return Rate Committee is to achieve an overall Program Container Return Rate of 85 percent by December 31, 2018.

1.24.2 Composition

The Return Rate Committee shall be composed of representatives from each of the Parties. Members of the Return Rate Committee will have experience with the Deposit System and/or relevant experience and background in a relevant discipline such as marketing, public affairs, communications and sales.

1.24.3 Duties

The duties of the Return Rate Committee shall be to:

1. Conduct and/or commission research, studies, surveys or other such investigations, to determine the behavioural and other drivers that determine the Return Rate for Program Containers.
2. Develop a multi-year marketing and branding strategy and supporting tactics to promote and increase awareness of the Deposit System with beverage alcohol consumers.
3. Conduct timely assessments of the effectiveness of the strategy and material tactics to improve the efficacy of the Return Rate Committee's efforts, with an emphasis on areas identified as having a sub-optimal Return Rate.
4. Jointly explore communication vehicles to promote the Deposit System.

1.24.4 Meetings and Decision-Making

The Return Rate Committee will meet on a quarterly basis following the Reference Date and will hold an annual strategic planning session. All decisions of the Return Rate Committee will be made on consensus based on the available Deposit System data and information. This decision-making approach shall in no way abrogate or otherwise affect the rights and responsibilities of the Parties under the Contract unless an amendment signed by the Parties is entered into.

1.25 Joint Management Committee

From and after the Reference Date, the Ministry and BRI shall each appoint representatives to form a Joint Management Committee. The Joint Management Committee will hold semi-annual and *ad hoc* meetings for on-going review of the performance of the Deposit System and will make recommendations to the Ministry and BRI to address issues pertaining to key performance indicators, efforts to increase and maintain Return Rates, audit findings, communications and other matters relating to the operation of the Deposit System relative to the

obligations of the Parties under the Contract. The Joint Management Committee shall in no way abrogate or otherwise affect the rights and responsibilities of the Parties under the Contract unless an amendment signed by the Parties is entered into.

1.26 Social Employment Opportunities

As a part of the Joint Management Committee, the Ministry and BRI agree to use their commercially reasonable efforts to pilot and, if feasible, establish one or more partnerships with community organizations involved in creating employment opportunities for disadvantaged individuals in a manner that will also assist in improving Return Rates. Final design of, and decision to proceed with, any initiative in this area will require the approval of both the Ministry and BRI in their respective sole discretions. The Ministry and BRI will use commercially reasonable efforts to accomplish this by December 31, 2018.

EXHIBIT C
PROVINCIAL RIGHTS AGREEMENT

PROVINCIAL RIGHTS AGREEMENT

BREWERS RETAIL INC.

and

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO

●, 2015

PROVINCIAL RIGHTS AGREEMENT

THIS AGREEMENT is made as of ●, 2015.

BETWEEN:

BREWERS RETAIL INC. o/a THE BEER STORE, a
corporation governed by the laws of Ontario (the “**Corporation**”)

- and -

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO
(the “**Province**”),

RECITALS:

- A. On June 1, 2000, the Corporation and the Liquor Control Board of Ontario (the “**LCBO**”), pursuant to the direction, authorization and agreement of the Province, entered into an agreement entitled “Serving Ontario Beer Consumers: A Framework for Improved Co-operation and Planning”, by which the LCBO regulates and controls various aspects of the sale of Beer in Ontario (the “**2000 Framework Agreement**”).
- B. In 2014, the Premier’s Advisory Council on Government Assets (the “**Council**”) was charged by the Premier of Ontario to review certain assets of the Province, including the beer and liquor distribution system in Ontario, and recommend ways to maximize their value to the people of Ontario.
- C. The Council made certain recommendations on April 16, 2015 to the Province to make changes to the regulation and control of Beer in Ontario, including to the retail and distribution system for Beer, following a negotiation with the Corporation and its shareholders that resulted in the Council, the Corporation and its shareholders entering into a non-binding statement of principles entitled “Modernizing the Distribution of Beer in Ontario: Framework of Key Principles” (the “**Key Principles**”), which was accepted by the Province. The Key Principles were set out in an attachment to the Council’s report entitled “Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario”.
- D. The Key Principles are intended to enhance customer convenience, choice and shopping experience, while continuing to ensure that consumers in Ontario can purchase Beer at prices below the Canadian average, and to establish a level playing field for all producers selling Beer in Ontario.
- D. Labatt Brewing Company Limited, Molson Canada 2005 and Sleeman Breweries Ltd. (the “**Original Owners**”), the Corporation and the Province entered into a master framework agreement dated as of ●, 2015 (the “**Master Framework Agreement**”) to record their agreement as to the manner in which the Key Principles shall be implemented.

- F. In order to implement certain aspects of the Key Principles, and as contemplated by the Master Framework Agreement, the Corporation and the Original Owners have entered into a shareholders agreement (the “**Shareholders Agreement**”) dated as of the date of this Agreement, to which Qualifying Brewers who subscribe for shares in the Corporation will become a party, to record their agreement as to the manner in which the Corporation’s business and affairs shall be conducted and to grant to each other certain rights and obligations with respect to the ownership of the securities of the Corporation and other aspects of the governance and management of the Corporation.
- G. As contemplated by the Master Framework Agreement and the Shareholders Agreement, the Parties have entered into this Agreement to provide for certain rights of the Province with respect to the governance of the business and affairs of the Corporation.

THEREFORE, the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Agreement, the following terms shall have the meanings set out below:

“**Agreement**” means this Provincial Rights Agreement, including the Recitals and the Schedules, and all amendments or restatements as permitted, and references to “**Article**” or “**Section**” mean the specified Article or Section of this Agreement.

“**AGRPPA**” means the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (Ontario).

“**Beer**” has the meaning set out in the *Liquor Licence Act* (Ontario).

“**Board**” means the board of directors of the Corporation constituted in accordance with the Shareholders Agreement.

“**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.

“**Director**” means a member of the Board.

“**Liquor Control Act**” means the *Liquor Control Act* (Ontario).

“**New Beer Agreements**” has the meaning set out in the Master Framework Agreement.

“**Original Owners**” has the meaning set out in the Recitals.

“**Parties**” means, collectively, the Corporation and the Province, and “**Party**” means either one of them.

“**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.

“**Term**” means the term (including any renewal term) of the Master Framework Agreement.

1.2 Additional Definitions

- (a) Unless there is something inconsistent in the subject matter or context, or unless otherwise provided in this Agreement, all other capitalized words and terms used in this Agreement that are defined in the Shareholders Agreement shall have the meanings assigned to them for purposes of the Shareholders Agreement.
- (b) Additional definitions used in this Agreement:

Definition:

“**2000 Framework Agreement**”

“**Corporation**”

“**Council**”

“**Dispute**”

“**Key Principles**”

“**Master Framework Agreement**”

“**Notice**”

“**Original Owners**”

“**Province**”

“**Selection Process**”

“**Shareholders Agreement**”

Where Defined:

Recitals

Page 1

Recitals

Section 3.1

Recitals

Recitals

Section 3.6

Recitals

Page 1

Section 2.2

Recitals

1.3 Certain Rules of Interpretation

In this Agreement:

- (a) **Time** - Time is of the essence in the performance of the Parties’ respective obligations.
- (b) **Headings** - Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

- (c) **Consent** - Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time period, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its consent or approval.
- (d) **Time Periods** - Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.
- (e) **Business Day** - Whenever any action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such action taken on the next Business Day following.
- (f) **Governing Law** - 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.
- (g) **Including** - Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.
- (h) **No Strict Construction** - 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.
- (i) **Number and Gender** - Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (j) **Severability** - 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.
- (k) **Statutory References** - 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.

1.4 Recitals and Schedule

The Recitals to this Agreement and the Schedule to this Agreement, as set out below, are an integral part of this Agreement:

ARTICLE 2 INDEPENDENT DIRECTORS

2.1 Removal of Independent Directors

As contemplated by section 4.2(a)(i) of the Shareholders Agreement, the Province may, by Notice given to the Corporation at any time, specify that all (but not less than all) of the Independent Directors be removed and the effective date of such removal. Upon receipt of such a Notice, the Corporation shall promptly provide Notice of such specification and removal to each Independent Director and each other Director, as contemplated by section 4.2(b) of the Shareholders Agreement, and shall cause all of the Independent Directors to be removed from office effective as of the date specified in the Notice provided by the Province pursuant to this Section 2.1.

2.2 Replacement of Independent Directors

Vacancies occurring on the Board by reason of the removal of all of the Independent Directors pursuant to Section 2.1 and section 4.2(a)(i) of the Shareholders Agreement, or by the resignation of all (but not less than all) of the Independent Directors, shall be filled only by nominees chosen by majority vote of the members of a four-person selection committee composed of an equal number of members appointed by the Province, on the one hand, and by the Major Shareholders, on the other hand, following the process used in the selection of the original Independent Directors (the “**Selection Process**”) in all material respects. The Selection Process is outlined in the materials attached to this Agreement as Schedule 2.2.

2.3 Qualifications of the Independent Directors

Any nominees for the role of Independent Director chosen in accordance with this Agreement shall each meet the qualifications set out in section 4.1(c) of the Shareholders Agreement.

ARTICLE 3 GENERAL

3.1 Dispute Resolution

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 accordance with section 8.1 and Schedule 8.1 of the Master Framework Agreement as if the Dispute was a “Dispute” as defined for purposes of the Master Framework Agreement.

3.2 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

3.3 Entire Agreement

This Agreement together with the other New Beer Agreements to which the Parties are party constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties pertaining to that subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, pertaining to that subject matter. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and the other New Beer Agreements.

3.4 Termination

This Agreement shall terminate at the expiration of the Term of the Master Framework Agreement. This Agreement shall also terminate prior to the end of the Term upon:

- (a) the written agreement of the Parties;
- (b) the dissolution or bankruptcy of the Corporation or the making by the Corporation of an assignment under the provisions of the *Bankruptcy and Insolvency Act* (Canada); or
- (c) one Person becoming the beneficial owner of all of the shares of the Corporation;

except that the provisions of Section 3.1 shall continue in the event of a termination under 3.4(c).

3.5 Independent Legal Advice

The Parties acknowledge that they have entered into this Agreement willingly with full knowledge of the obligations imposed by the terms of this Agreement. The Parties acknowledge that they have each been afforded the opportunity to obtain independent legal advice and confirm by the execution of this Agreement that they have either done so or waived their right to do so, and agree that this Agreement constitutes a binding legal obligation and that they are estopped from raising any claim on the basis that they have not obtained such advice.

3.6 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (a “**Notice**”) shall be 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 facsimile or e-mail:

- (a) in the case of a Notice to the Corporation at:

Brewers Retail Inc.
5900 Explorer Drive
Mississauga, Ontario, L4W 5L2

Attention: President
Fax: (905) 361-4240

- (b) in the case of a Notice to the Province at:

Ministry of Finance
Frost Building South
7 Queen's Park Crescent, 7th floor
Toronto, Ontario M7A 1Y7

Attention: Deputy Minister of Finance
Fax: 416-325-1595

Copy to: Director, Ministry of Finance Legal Services Branch
Address: College Park
777 Bay Street, 11th floor,
Toronto, Ontario M5G 2C8
Fax: 416-325-1460

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.

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

3.7 Costs and Expenses

Except as otherwise specified in this Agreement, all costs and expenses (including the fees and disbursements of accountants, financial advisors, legal counsel and other professional advisors) incurred in connection with this Agreement, including the obligations under this Agreement and the enforcement of this Agreement are to be paid by the Party incurring those costs and expenses.

3.8 Amendments and Waivers

No amendment to this Agreement shall be valid or binding unless made in writing and signed by 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.

3.9 Assignment

None of the Parties to this Agreement may assign its rights or obligations under this Agreement without the prior written consent of the other Party.

3.10 Execution and Delivery

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

[Signature pages follow]

IN WITNESS OF WHICH the Parties have duly executed this Agreement.

BREWERS RETAIL INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

**HER MAJESTY THE QUEEN IN RIGHT
OF ONTARIO, as represented by the
Minister of Finance**

By: _____
Name:
Title:

SCHEDULE 2.2

SELECTION PROCESS

The principal roles of the initial Selection Committee were:

- (i) to define the skills and qualifications necessary for the Independent Directors to execute the responsibilities assigned to them in the New Beer Agreements, and
- (ii) to select and nominate for appointment to the Board four Independent Directors.

After a competitive process, the initial Selection Committee engaged a reputable search firm to conduct a gap analysis of the skills and experience on the Board, prepare a position description and conduct the recruitment. The Selection Committee identified governance experience as a fundamental competency necessary for all Independent Directors, in addition to a mix of functional expertise across the four Independent Directors. Gender balance and diversity were also important factors taken into account in this process. The Selection Committee jointly nominated the four Independent Directors for election to the Board.

In the event the Province exercises its right to remove the Independent Directors and consistent with the Selection Committee's process to nominate the initial Independent Directors, the following process will be undertaken:

- (a) The members of the Selection Committee will be appointed in accordance with the terms of the Agreement. Selection Committee members will be appointed for the term of the selection process.
- (b) The Province will identify a staff person from the Ministry of Finance ("**Ministry Representative**") to support the Selection Committee's work. This individual will not be a member of the Selection Committee but will support the Selection Committee by:
 - i. Assisting in the co-ordination of meetings for the Selection Committee and / or with the search firm, and
 - ii. Acting as an intermediary between the Selection Committee and external stakeholders / government.
- (c) The Selection Committee will jointly identify search firms to be invited to bid for the recruitment. The search firms will be invited to bid through a joint invitation letter, and the search firm will be selected through a joint interview process. All communication with prospective search firms will be by email with the Ministry Representative or all members of the Selection Committee as a whole to ensure fairness and transparency in the bid process. The search firm will contract with the Corporation but will report to the Selection Committee. The search firm costs will be paid by the Corporation.
- (d) The Selection Committee will task the search firm with:
 - i. Evaluating, assessing and prioritising the skills and qualifications then required for the Independent Directors,
 - ii. Preparation/revision of a position description that defines the skills and qualifications necessary for the Independent Directors to execute the responsibilities assigned to them in the New Beer Agreements, and against which the candidates will be recruited for the Selection Committee's approval,

- iii. Advising on the then current compensation levels for directors of organisations of comparable size and complexity of the Corporation, and the compensation to be paid by the Corporation to the Independent Directors, and
 - iv. Recruitment of candidate directors, including project schedule, long list, short list, outreach, management of the interview process, and production of offer letters.
- (e) All search firm communication with the Selection Committee will be conducted with the Selection Committee as a whole through email, teleconference or in-person meetings, or with the Ministry Representative as delegated by the Selection Committee. No meeting of the Selection Committee will take place and no decision of the Selection Committee will be binding unless a quorum is present. Quorum will be the attendance of not less than three members of the Selection Committee where the members have agreed in advance to less than full attendance. The Selection Committee will strive to make all decisions by consensus. Where consensus is not possible, a minimum of three votes will carry a motion of the Selection Committee.
- (f) To the extent that the Ministry Representative acts as a conduit between the Selection Committee and candidate search firms, the selected search firm, or external stakeholders, the Ministry Representative will liaise with the Selection Committee as a whole.
- (g) The Ministry Representative may provide stakeholders with contact information for the search firm, and stakeholders can provide names of individuals interested in candidacy to the search firm. Members of the Selection Committee may also provide names of prospective candidates to the search firm, in an open and transparent manner (copying the other members of the Selection Committee). Any potential conflicts of interest will be openly disclosed and discussed. The Selection Committee will only consider candidates that meet the requisite skills and competencies.
- (h) The Selection Committee will choose the prospective nominees from among the candidates in satisfaction of the identified skills and competencies, and giving due consideration to appropriate gender balance and diversity. The Selection Committee members will issue to the prospective nominees formal written offer letters signed by all Selection Committee members.
- (i) At all times, the Selection Committee will make decisions consistent with the New Beer Agreements, and adhere to the general principles of transparency and accountability.
- (j) The confirmed nominees will be communicated publicly by the Board in coordination with the Province.

EXHIBIT D
SHAREHOLDERS AGREEMENT

SHAREHOLDERS AGREEMENT

●, 2015

BREWERS RETAIL INC.

AND

LABATT BREWING COMPANY LIMITED

AND

MOLSON CANADA 2005

AND

SLEEMAN BREWERIES LTD.

AND

QUALIFYING BREWER SHAREHOLDERS

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SHAREHOLDERS AGREEMENT

THIS AGREEMENT is made ●, 2015 (the “Effective Date”).

BETWEEN:

BREWERS RETAIL INC. o/a THE BEER STORE, a corporation governed by the laws of Ontario (the “**Corporation**”)

- and -

LABATT BREWING COMPANY LIMITED, a corporation governed by the laws of Canada (“**Labatt**”),

- and -

MOLSON CANADA 2005, a partnership governed by the laws of Ontario (“**Molson**”),

- and -

SLEEMAN BREWERIES LTD., a corporation governed by the laws of Canada (“**Sleeman**”),

- and -

EACH QUALIFYING BREWER SHAREHOLDER,

RECITALS:

- A. On June 1, 2000, the Corporation and the LCBO, pursuant to the direction, authorization and agreement of the Province, entered into an agreement entitled “Serving Ontario Beer Consumers: A Framework for Improved Co-operation and Planning” (the “**2000 Framework Agreement**”), by which the LCBO regulates and controls various aspects of the sale of Beer in Ontario.
- B. In 2014, the Premier’s Advisory Council on Government Assets (the “**Council**”) was charged by the Premier of Ontario to review certain assets of the Province, including the beer and liquor distribution system in Ontario, and recommend ways to maximize their value to the people of Ontario.
- C. Prior to the subscription by other Qualifying Brewer Shareholders for shares in the Corporation as contemplated by this Agreement, Labatt, Molson and Sleeman (the “**Original Owners**”) owned all of the issued and outstanding shares in the capital of the Corporation.
- D. The Council made certain recommendations to the Province in its report dated April 16, 2015 entitled “Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario” (the “**Council’s Final Report**”) to make changes to the regulation and control of Beer in Ontario, including to the retail and distribution system for Beer,

following a negotiation with the Corporation and the Original Owners that resulted in the Council, the Corporation and the Original Owners entering into a non-binding statement of principles dated April 15, 2015 entitled “Modernizing the Distribution of Beer in Ontario: Framework of Key Principles” (the “**Key Principles**”), which was accepted by the Province. The Key Principles were set out in an attachment to the Council’s Final Report.

- E. The Corporation, the Original Owners and the Province entered into a master framework agreement dated as of ●, 2015 (the “**Master Framework Agreement**”) to record their agreement as to the manner in which the Key Principles shall be implemented.
- F. In order to implement certain aspects of the Key Principles, and as contemplated by the Master Framework Agreement, the Parties have entered into this Agreement to record their agreement as to the manner in which the Corporation’s business and affairs shall be conducted and to grant to each other certain rights and obligations with respect to the ownership of the Securities of the Corporation and other aspects of the governance and management of the Corporation.

THEREFORE, the parties agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Agreement, the following terms shall have the meanings set out below:

“**Act**” means the *Business Corporations Act* (Ontario).

“**Affiliate**” means, with respect to a party, any person, firm, corporation, partnership (including general partnerships, limited partnerships and limited liability partnerships), limited liability company, joint venture, business trust, association or other entity that directly or indirectly Controls, is Controlled by or is under common Control with such party.

“**Agreement**” means this Shareholders Agreement, including the Recitals and all Exhibits and Schedules, and all amendments or restatements as permitted, and references to “**Article**” or “**Section**” mean the specified Article or Section of this Agreement.

“**AGRPPA**” means the *Alcohol and Gaming Regulation and Public Protection Act, 1996* (Ontario).

“**Annual Beer Volume**” means, with respect to a particular Brewer (inclusive of its Affiliates), the volume of its Qualifying Sales that is produced at a facility in Ontario or imported into Ontario in accordance with the Inter-Plant Shipments Policy of the Liquor Control Board of Ontario, as it may exist from time to time.

“**Annual Budget**” means a financial budget for the Corporation for a full financial year of the Corporation as approved in accordance with this Agreement.

“**Annual Business Plan**” means an annual business plan for the Corporation for a full financial year of the Corporation as approved in accordance with this Agreement.

“**Auditor**” means the auditor of the Corporation appointed from time to time in accordance with the Act and this Agreement.

“**Beer**” has the meaning set out in the *Liquor Licence Act* (Ontario).

“**Beer Ombudsman**” means the independent beer ombudsman appointed from time to time in accordance with Section 6.6 of this Agreement.

“**Board**” means the board of directors of the Corporation constituted in accordance with this Agreement.

“**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.

“**By-Laws**” means the corporate by-laws of the Corporation, as may be amended from time to time in accordance with this Agreement.

“**Capital Reorganization**” means the reorganization of the share capital of the Corporation effected on ●, 2015 by amendment to the articles of the Corporation whereby all of the then issued and outstanding shares of the Corporation were converted into Second Equity Shares.

“**Control**” means:

- (a) in relation to a corporation, the beneficial ownership at the relevant time of shares of such corporation carrying more than 50% of the voting rights ordinarily exercisable at meetings of shareholders of the corporation where such voting rights are sufficient to elect a majority of the directors of the corporation; and
- (b) in relation to a Person that is a partnership, limited partnership, limited liability company or joint venture, the beneficial ownership at the relevant time of more than 50% of the ownership or voting interests of the partnership, limited partnership, limited liability company or joint venture in circumstances where it can reasonably be expected that the Person can direct the affairs of the partnership, limited liability company or joint venture;

and the words “**Controlled by**”, “**Controlling**” and similar words have corresponding meanings; the Person who Controls a Person shall be deemed to Control a corporation, partnership, limited liability company, joint venture or trust which is Controlled by such Person, and so on.

“**Director**” means a member of the Board.

“Eligible Qualifying Brewer” means a Qualifying Brewer that is (i) located or resident in the Province of Ontario and eligible to acquire First Equity Shares pursuant to the OSC Order, (ii) located or resident in a province or territory of Canada other than the Province of Ontario and eligible to acquire First Equity Shares pursuant to an exemption from prospectus requirements generally available under the applicable securities laws of that province or territory or (iii) neither located nor resident in Canada and that is eligible to acquire First Equity Shares pursuant to an exemption from the prospectus, registration or qualification requirements applicable under the securities laws of the jurisdiction outside of Canada in which the Qualifying Brewer is located or resident.

“First Equity Shares” means the First Equity Shares in the capital of the Corporation, issuable in series.

“First Preferred Debentures” means debentures that may be issued pursuant to Section 3.5 of this Agreement on terms to be approved as Special Majority Matters.

“Industry Participant” means any person, trade association or trade union involved in the beverage alcohol industry in Ontario including, for clarity, Canada’s National Brewers, the Original Owners, any other Qualifying Brewers or any of their Affiliates.

“LCBO” means the Liquor Control Board of Ontario.

“Licensee” means a Person holding a liquor sales licence issued under the *Liquor Licence Act* (Ontario).

“Liquor Control Act” means the *Liquor Control Act* (Ontario).

“New Beer Agreements” has the meaning ascribed thereto in the Master Framework Agreement.

“New Outlets” has the meaning set out in the Master Framework Agreement.

“Original Owners” has the meaning set out in the Recitals.

“OSC Order” means the decision of the Ontario Securities Commission rendered on ●, 2015 in response to an application filed by the Corporation pursuant to section 74(1) of the *Securities Act* (Ontario) confirming that the prospectus requirement contained in section 53(1) of the *Securities Act* (Ontario) will not apply to the issuance, from time to time, of First Equity Shares to Qualifying Brewers located or resident in the Province of Ontario.

“Parties” means, collectively, the Original Owners, the Corporation and each Qualifying Brewer Shareholder that becomes a party to this Agreement, and **“Party”** means any one of them.

“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.

“Production Year” means, in relation to a Sales Year, the 12-month period that ends on December 31 immediately before the beginning of the Sales Year.

“Province” means Her Majesty the Queen in Right of Ontario.

“Provincial Rights Agreement” means the agreement between the Corporation and the Province dated as of the date of this Agreement.

“Qualifying Brewer” means a Brewer that operates one or more facilities manufacturing Beer in Ontario, sells Beer Through the Corporation and satisfies the following criteria:

- (a) it has a valid Ontario manufacturing licence issued by the Regulator;
- (b) it has a valid Canadian manufacturing licence issued by the Canada Revenue Agency;
- (c) it conducts the full brewing process up to the point of packaging, including mashing, lautering, boiling, hop separation and fermentation, in its Ontario Beer manufacturing facilities; and
- (d) it either (A) does not produce Beer in any other jurisdiction or (B) its Ontario Beer manufacturing facilities have a minimum annual capacity of 10,000 hectolitres of Beer in the aggregate and a minimum annual production of 2,500 hectolitres of Beer in the aggregate.

“Qualifying Brewer Shareholder” means a Qualifying Brewer that (i) has completed the purchase of 100 First Equity Shares in accordance with the terms of a Subscription Agreement entered into between the Qualifying Brewer and the Corporation on or any time after the Effective Date and (ii) continues to own such First Equity Shares as of the relevant date, and **“Qualifying Brewer Shareholders”** means all of such Persons collectively.

“Qualifying Sales” means sales of Beer by volume Through the Corporation.

“Rate Sheet” means the schedule of listing and service fees, including basic and elected service fees, to be charged by the Corporation to all Brewers selling Beer Through the Corporation.

“Regulator” means the LCBO, the Alcohol and Gaming Commission of Ontario and any other Ontario governmental authority or agent of the Province having jurisdiction over the sale, storage, distribution or consumption of beverage alcohol, or their successors.

“Sales Year” means a period of approximately 12 months:

- (a) that begins on March 1 in a year or, if March 1 is a Saturday or Sunday, that begins on the following Monday; and

- (b) that ends on the last day of February of the following year or, if the last day of February is a Friday or Saturday, that ends on the following Sunday.

“Second Equity Shares” means the Second Equity Shares in the capital of the Corporation.

“Securities” means, collectively, the First Preferred Debentures and the Shares.

“Shares” means all classes of shares in the capital of the Corporation authorized for issuance from time to time, including the First Equity Shares and the Second Equity Shares.

“Shareholders” means, collectively, the Original Owners and any Qualifying Brewer Shareholder that become a Party to this Agreement, and **“Shareholder”** means any one of such Persons.

“Small Brewer” means, in respect of a Sales Year, a Brewer that meets each of the following qualifications in respect of the prior Production Year:

- (a) it has worldwide production of Beer in the previous Production Year that was not more than 400,000 hectolitres or, if this is the first Production Year in which it manufactures Beer, worldwide production of Beer for the Production Year that is not expected to be more than 400,000 hectolitres;
- (b) is not a party to any agreement or other arrangement pursuant to which any Brewer that is not a Small Brewer manufactures Beer for it;
- (c) is not a party to any agreement or other arrangement pursuant to which it manufactures Beer for any Brewer that is not a Small Brewer; and
- (d) any Affiliate of it that manufactures Beer meets the qualifications set out in (a), (b) and (c) above.

For purposes of this definition:

- (e) the following will be included in determining the amount of a Small Brewer’s worldwide production of Beer for a particular Production Year:
 - (i) all Beer manufactured during the Production Year by the Small Brewer, including Beer that is manufactured under contract for another Brewer, whether or not that other Brewer is a Small Brewer;
 - (ii) all Beer manufactured during the Production Year by an Affiliate of the Small Brewer, including Beer manufactured by the Affiliate under contract for another Brewer, whether or not that other Brewer is a Small Brewer; and
 - (iii) all Beer manufactured during the Production Year by another Small Brewer under contract for the Small Brewer or for an Affiliate of the Small Brewer; and

- (f) an agreement or arrangement referred to in clause (b) of this definition does not include an agreement or arrangement that provides only for the final bottling or other packaging by a Brewer that is not a Small Brewer, including any incidental processes such as final filtration and final carbonation or the addition of any substance to the Beer that, if added, must be added at the time of final filtration.

The Board may on or before ● [Note: the date of the Master Framework Agreement], designate Qualifying Brewers, other than the Original Owners, to be Small Brewers for purposes of this Agreement. Once a Brewer qualifies as, or is so designated as, a Small Brewer it shall remain a Small Brewer for so long as it remains a Qualifying Brewer and does not become an Affiliate of a Brewer that is not a Small Brewer. As of the date of this Agreement, the Board has designated each of Brick Brewing Co. Limited and Moosehead Breweries Limited to be a Small Brewer.

“Subscription Agreement” means an agreement between the Corporation and an Eligible Qualifying Brewer substantially in the form of Exhibit A.

“Subsidiary” has, with respect to the Corporation, the meaning set out in the Act.

“Term” means the term (including any renewal terms) of the Master Framework Agreement.

“Through the Corporation” means, subject to Section 6.7, when used in relation to sales of Beer, sales by a particular Brewer and its Affiliates (including domestic and imported Beer manufactured by, produced for or distributed by that Brewer and its Affiliates) through the Corporation to Licensees and retail consumers, and in respect of sales through the Corporation to the LCBO (including northern agency stores and retail partners), one-half of the volume of such sales, but for clarity excluding sales of Beer to or through New Outlets.

“Total Annual Beer Volume” means the aggregate Annual Beer Volume for all Brewers (inclusive of their respective Affiliates).

“Transfer” includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which possession, legal title or beneficial ownership passes from one Person to another, or to the same Person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing; and the words **“Transferred”**, **“Transferring”** and similar words have corresponding meanings.

1.2 Additional Definitions

- (a) Unless there is something inconsistent in the subject matter or context, or unless otherwise provided in this Agreement, all other words and terms used in this Agreement that are defined in the Act shall have the meanings set out in the Act.

(b) Additional definitions used in this Agreement:

<u>Definition:</u>	<u>Where Defined:</u>
“2000 Framework Agreement”	Recital A
“Adjusted Local Market Share”	Schedule 6.2(c)
“Allocation”	Schedule 6.2(c)
“Basic Service Fees”	6.3(a)(ii)(A)
“Board Mandate”	4.8(a)
“Committees”	4.9(a)
“Committee Mandate”	4.9(d)
“Confidential Information”	8.1(a)
“Corporation”	Page 1
“Council”	Recital B
“Council’s Final Report”	Recital D
“Dispute”	8.2(a)
“Dispute Parties”	8.2(b)
“Executive Committee”	4.9(c)
“Key Principles”	Recital D
“Independent Directors”	4.1(c)
“Independent Director Qualifications”	4.1(c)
“Labatt”	Page 1
“Large Brewers”	Schedule 6.2(c)
“Lead Director”	4.6
“Local Market Share”	Schedule 6.2(c)
“Lower Tier Fees”	6.3(a)(ii)(B)
“Major Shareholder”	4.1(e)
“Major Shareholder Nominee”	4.1(e)
“Master Framework Agreement”	Recital E
“Minimum Small Brewer Allocation”	Schedule 6.2(c)
“Molson”	Page 1
“Notice”	8.8
“Offer Notice”	3.5(b)
“Other Shareholders”	4.1(f)
“Other Shareholder Nominee”	4.1(f)

<u>Definition:</u>	<u>Where Defined:</u>
“Pension Adjustment Per Hectolitre”	6.3(a)(iii)
“Pension Amount”	6.3(a)(iii)
“Percentage Sales”	4.1(e)
“Pro Rata Share”	3.5(c)
“Permitted Transferee”	7.5(a)
“Required Capital”	3.5(b)
“Sleeman”	Page 1
“Small Brewer Index Factor”	Schedule 6.2(c)
“Small Shareholder”	4.1(d)
“Small Shareholder Nominee”	4.1(d)
“Special Majority Matter”	4.12
“Subscribing Shareholder”	3.5(c)
“Subscription Amount”	3.5(c)
“Subscription Notice”	3.5(c)
“Transferor”	7.5(a)
“Zones”	Schedule 6.2(c)

1.3 Certain Rules of Interpretation

In this Agreement:

- (a) **Time** - Time is of the essence in the performance of the Parties’ respective obligations.
- (b) **Currency** - Unless otherwise specified, all references to money amounts are to the lawful currency of Canada.
- (c) **Headings** - Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (d) **Consent** - Whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time period, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its consent or approval.
- (e) **Time Periods** - Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day which

the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

- (f) **Business Day** - Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following.
- (g) **Governing Law** - 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.
- (h) **Including** - Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.
- (i) **No Strict Construction** - 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.
- (j) **Number and Gender** - Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (k) **Severability** - 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.
- (l) **Statutory References** - 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.

1.4 Accounting Principles

Wherever in this Agreement reference is made to generally accepted accounting principles, such reference shall be deemed to be to International Financial Reporting Standards as issued by the International Accounting Standards Board, applicable as at the date on which the relevant calculation or action is made or taken or required to be made or taken in accordance with such standards.

1.5 Recitals, Exhibit and Schedules

The Recitals to this Agreement and the Exhibits and Schedules to this Agreement, as listed below, are an integral part of this Agreement:

Exhibit A	-	Form of Subscription Agreement
Exhibit B	-	Estimated Rate Sheet
Schedule 3.3(b)	-	Determination of Book Value
Schedule 4.12(a)	-	Certain Special Majority Matters
Schedule 4.12(b)	-	Special Majority Matters (Independent Directors)
Schedule 6.2(c)	-	Marketing Matters
Schedule 8.2	-	Arbitration Procedures

ARTICLE 2

PURPOSE AND SCOPE

2.1 Unanimous Shareholder Agreement

This Agreement is intended and shall be deemed to be a unanimous shareholder agreement within the meaning of the Act and the powers of the Directors to manage or supervise the management of the business and affairs of the Corporation is restricted in accordance with the terms of this Agreement.

2.2 Compliance with Agreement

Each Shareholder agrees to vote and act as a shareholder of the Corporation to fulfil the provisions of this Agreement and in all other respects to comply with, and use all reasonable efforts to cause the Corporation to comply with, this Agreement and to the extent, if any, that may be permitted by law, shall cause the Director nominee(s) to act in accordance with this Agreement.

2.3 Provincial Rights Agreement

The Parties acknowledge that the Corporation shall enter into the Provincial Rights Agreement with the Province effective as of the Effective Date, and each Shareholder agrees to vote and act as a Shareholder of the Corporation to fulfill the provisions of the Provincial Rights Agreement and in all other respects to use all reasonable efforts to cause the Corporation to comply with the Provincial Rights Agreement and to the extent, if any, that may be permitted by law, shall cause the Director nominee(s) to act in accordance with the Provincial Rights Agreement.

2.4 Compliance by Corporation

The Corporation undertakes to carry out and be bound by the provisions of this Agreement to the full extent that it has the capacity and power at law to do so.

ARTICLE 3

FINANCIAL PARTICIPATION IN THE CORPORATION

3.1 Approach to Operations and Funding

- (a) The Corporation will continue to operate on a self-sustaining basis as a low cost, efficient distributor and retailer of Beer in the Province of Ontario.
- (b) The Corporation will be operated as a self-funding corporation on a break-even cash flow basis. As an important element of this, the Rate Sheet will be set each year in accordance with this Agreement to provide sufficient, but not excess, revenue to cover all of the cash requirements of the Corporation consistent with the Annual Business Plans and Annual Budgets from time to time. For each year, once the aggregate annual revenues of the Corporation and the actual costs of funding the operations of the Corporation are known, any revenues in excess of actual costs shall be refunded to each Brewer pro rata based on its Qualifying Sales relative to the aggregate Qualifying Sales for all Brewers for that calendar year by deducting from amounts subsequently owed by that Brewer to the Corporation and any costs in excess of revenues generated and received shall be paid by each Brewer pro rata based on its Qualifying Sales relative to the aggregate Qualifying Sales for all Brewers by adding to amounts subsequently owed by that Brewer to the Corporation, in each case in such amounts and at such times as determined by the Board.
- (c) All transactions between the Corporation and its Shareholders will be transparent, auditable and on commercially reasonable terms.

3.2 Capital Structure

The authorized share capital of the Corporation following the Capital Reorganization shall consist of an unlimited number of series of First Equity Shares, with each series consisting of 100 shares, and 10,000 Second Equity Shares.

3.3 Equity Participation – First Equity Shares

- (a) Each Eligible Qualifying Brewer (including the Original Owners) shall, upon executing a Subscription Agreement and tendering to the Corporation the sum of \$100.00 in the form of cash, cheque or bank draft, be issued by the Corporation 100 First Equity Shares of a series separate from those First Equity Shares issued to any other Eligible Qualifying Brewer, at which time the Corporation shall duly register such Eligible Qualifying Brewer Shareholder as a registered holder of such First Equity Shares.
- (b) Any determination of the Book Value of the Assets or Liabilities of the Corporation (as those terms are defined in the rights, privileges, restrictions and conditions attached to the First Equity Shares in the articles of the Corporation) shall be made in accordance with the provisions of Schedule 3.3(b).

3.4 Equity Participation – Second Equity Shares

Pursuant to the Capital Reorganization, all of the shares in the capital of the Corporation (for clarity, other than the First Equity Shares issued or to be issued under Section 3.3) were converted into an aggregate of 10,000 Second Equity Shares, held as follows:

<u>Shareholder</u>	<u>Number of Second Equity Shares</u>
Labatt	●
Molson	●
Sleeman	●

Each of the Original Owners severally (and not jointly or jointly and severally) represents and warrants to the other Parties that it is the registered and beneficial owner of the number of Second Equity Shares indicated opposite its name above.

3.5 Additional Capital

- (a) Except as provided in this Agreement or as otherwise unanimously agreed by the Shareholders, none of the Shareholders shall be obligated to acquire additional Shares or to make loans to the Corporation or guarantee its indebtedness. It is the intention of the Parties that further funds required by the Corporation from time to time will be obtained, to the extent possible, by borrowing from Canadian chartered banks or other lenders acceptable to the Board.
- (b) If the Board determines, consistent with the other provisions of this Agreement, that the Corporation requires an amount of additional capital or other funding (the “**Required Capital**”) and the Required Capital cannot be obtained from Canadian chartered banks or other lenders on reasonable commercial terms, the Corporation shall give notice (an “**Offer Notice**”) to each Shareholder, stating the aggregate amount of the Required Capital sought and the price and terms of the First Preferred Debentures to be issued by the Corporation to raise the Required Capital.
- (c) Any Shareholder wishing to purchase First Preferred Debentures pursuant to an Offer Notice (a “**Subscribing Shareholder**”) shall, no later than 20 calendar days following the delivery by the Corporation of such Offer Notice, so indicate by Notice to the Corporation (a “**Subscription Notice**”). Such Subscription Notice must indicate the maximum principal amount of such First Preferred Debentures that such Subscribing Shareholder wishes to purchase (the “**Subscription Amount**”), which Subscription Amount may be greater than, equal to or less than such Subscribing Shareholder’s Pro Rata Share of the Required Capital. “**Pro Rata Share**” means a share equal to a fraction, the numerator of which is the number of votes that may be exercised in respect of the First Equity Shares held by such Subscribing Shareholder as at the date of the Offer Notice and the denominator of which is the aggregate number of votes that may be exercised in respect of all of the issued and outstanding First Equity Shares held by all such Subscribing Shareholders as at such date.

- (d) If the aggregate Subscription Amounts of all Subscribing Shareholders wishing to purchase First Preferred Debentures pursuant to an Offer Notice is greater than or equal to the Required Capital, the Corporation shall issue to the Subscribing Shareholders, and the Subscribing Shareholders shall purchase, First Preferred Debentures pursuant to such Subscription Notices in an aggregate principal amount equal to the Required Capital, as follows:
 - (i) Each Subscribing Shareholder shall purchase First Preferred Debentures having a principal amount equal to the lesser of such Subscribing Shareholder's Pro Rata Share of the Required Capital and such Subscribing Shareholder's Subscription Amount.
 - (ii) To the extent that the allocation in Section 3.5(d)(i) results in the purchase of First Preferred Debentures in an aggregate principal amount less than the Required Capital, the remaining First Preferred Debentures shall be allocated to, and purchased by, Subscribing Shareholders whose Subscription Notices indicated a Subscription Amount in excess of their respective Pro Rata Shares of the Required Capital, pro rata in relation to their respective Pro Rata Shares, up to in each case the remaining Subscription Amount not purchased pursuant to Section 3.5(d)(i).
- (e) If the aggregate Subscription Amounts of all Subscribing Shareholders wishing to purchase First Preferred Debentures pursuant to an Offer Notice is less than the Required Capital, the Corporation shall issue to the Subscribing Shareholders, and the Subscribing Shareholders shall purchase, First Preferred Debentures pursuant to such Subscription Notices as follows:
 - (i) Each Subscribing Shareholder shall purchase First Preferred Debentures having a principal amount equal to such Subscribing Shareholder's Subscription Amount.

The Corporation may offer and sell any remaining First Preferred Debentures offered pursuant to the Offer Notice not purchased by Subscribing Shareholders to any Person or Persons at the same price and upon the same terms as specified in the Offer Notice; provided that it first gives the Subscribing Shareholders the right, exercisable within fifteen days, to subscribe for, all or part of, such remaining First Preferred Debentures on such terms.

- (f) The purchase and sale of First Preferred Debentures pursuant to this Section 3.5 shall be completed on the date specified in the relevant Offer Notice, which date shall not be less than 60 days following the delivery by the Corporation of such Offer Notice.

ARTICLE 4

BOARD OF DIRECTORS

4.1 Board of Directors

- (a) The Corporation shall have a Board consisting of 15 Directors.

- (b) The Shareholders shall vote their Shares, at least annually and otherwise as and when required, at a meeting of Shareholders or by written resolution:
 - (i) to nominate Directors, and to elect the Directors nominated, in accordance with this Agreement from time to time; and
 - (ii) to remove any Director specified to be removed in accordance with Section 4.2.

For clarity, on any vote, each Shareholder shall be entitled to exercise such number of Total Votes as shall be equal to such Shareholder's Percentage Entitlement (as such terms are defined in the rights, privileges, restrictions and conditions attaching to the First Equity Shares).

- (c) Four of the Directors (the "**Independent Directors**") shall each meet the following qualifications (the "**Independent Director Qualifications**"):
 - (i) he or she need not be a Canadian or Ontario resident, except as may be required to ensure that the Board complies with any Canadian residency requirements under applicable law (provided that any such residency requirements shall not be required to be satisfied disproportionately by Independent Directors in relation to other Directors);
 - (ii) he or she has the appropriate level of experience and expertise to perform the duties of a director of a company of the size and complexity of the Corporation;
 - (iii) he or she has the ability to read and understand financial statements that present the breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can be expected to be raised by the Corporation's financial statements; and
 - (iv) he or she does not have a direct or indirect material relationship with an Industry Participant or any of its Affiliates or the Province or any of its agencies that could reasonably be expected to interfere with the exercise of that person's independent judgment as a Director.

The initial Independent Directors shall be as follows:



Subject to Section 4.2(e), successors to the initial Independent Directors shall be nominated from time to time by the majority vote of the Independent Directors then in office (for clarity, an Independent Director may participate in any vote to nominate the successor to such Independent Director); provided, however, that

each such successor Independent Director must satisfy the Independent Director Qualifications.

- (d) One of the Directors (the “**Small Shareholder Nominee**”) shall be nominated by the majority vote of the Small Shareholders to serve a one-year term. A “**Small Shareholder**” is a Shareholder that (inclusive of its Affiliates) had less than 50,000 hectolitres of Qualifying Sales in the prior calendar year. Any Small Shareholder Nominee that has served as a Director in the capacity of the Small Shareholder Nominee during the last five years shall not be permitted to serve as a Small Shareholder Nominee in the then current year.
- (e) Each Major Shareholder shall be entitled to nominate one Director (a “**Major Shareholder Nominee**”) for each full 10 percentage points of its Percentage Sales during the prior calendar year (rounded up, in the case of 7 percentage points or more, to the next full 10 percentage points), provided that, for so long as the aggregate Percentage Sales of Labatt and Molson are equal to or greater than 50% and less than 97%, Labatt and Molson will be entitled to nominate four Major Shareholder Nominees each.

“**Percentage Sales**” of a Shareholder means the percentage that the Annual Beer Volume of such Shareholder (inclusive of its Affiliates) in the preceding calendar year represents of the Total Annual Beer Volume in respect of such calendar year. A “**Major Shareholder**” is a Shareholder the Percentage Sales of which are equal to or greater than 10% (determined without any rounding up).

- (f) The remaining Directors (each, an “**Other Shareholder Nominee**”) shall be nominated by Shareholders that are not Small Shareholders or Major Shareholders (the “**Other Shareholders**”), provided that no single Other Shareholder will as a result of this Section 4.1(f) be able to nominate more than one Director. For clarity, based on Total Annual Beer Volume as at the Effective Date, Sleeman shall be entitled to nominate one Other Shareholder Nominee.
- (g) Notwithstanding the foregoing, if the aggregate Percentage Sales of Labatt and Molson are equal to or greater than 97%, the Board shall consist of up to 18 Directors, being comprised of one Small Shareholder Nominee, five Independent Directors, ten Major Shareholder Nominees, with Labatt and Molson being entitled to nominate five Major Shareholder Nominees each, and up to two Other Shareholder Nominees.

4.2 Removal of Directors and Other Vacancies

- (a) Directors may be specified to be removed from office as follows from time to time:
 - (i) Pursuant to the Provincial Rights Agreement, the Province may specify that all (but not less than all) of the Independent Directors be removed;
 - (ii) the Small Shareholders may by majority vote specify that the Small Shareholder Nominee be removed;

- (iii) any Major Shareholder may specify that any Major Shareholder Nominee nominated by it be removed; and
 - (iv) the Other Shareholders may by majority vote specify that any Other Shareholder Nominee be removed.
- (b) Any specification contemplated by Section 4.2(a) shall be effected by Notice to such Director, all other Directors and the Corporation.
- (c) Any vacancy occurring on the Board by reason of the death, disqualification, inability to act, resignation or removal of any Director, shall, subject to Section 4.2(d) and Section 4.2(e), be filled only by a further nominee of the Shareholder or group of Shareholders whose nominee was so affected.
- (d) Subject to Section 4.2(e), any vacancy occurring on the Board by reason of the death, disqualification, inability to act or resignation of an Independent Director shall be filled by a nominee that satisfies the Independent Director Qualifications selected by majority vote of the Independent Directors remaining in office.
- (e) As contemplated by the Provincial Rights Agreement, vacancies occurring on the Board by reason of the removal of the Independent Directors pursuant to Section 4.2(a)(i) or the resignation of all of the Independent Directors shall be filled only by nominees that satisfy the Independent Director Qualifications chosen by majority vote of a selection committee composed of an equal number of members appointed by the Province, on the one hand, and by the Major Shareholders, on the other hand, in accordance with the terms of the Provincial Rights Agreement.
- (f) If at any time a Shareholder loses its right to nominate any Director (including because such Shareholder ceases to be a Qualifying Brewer or because of a reduction in its Percentage Sales), such Director shall be removed from the Board effective as of such time and the vacancy thereby created shall be filled in accordance with Section 4.1.

4.3 Directors' Terms

Other than with respect to the Small Shareholder Nominee who will serve a one-year term, Directors shall be elected for terms of three years each, beginning on the Effective Date, provided, however, that the initial Independent Directors shall be elected for terms of one, two, three and four years, respectively. Subject to Section 4.1(d), Directors may serve on the Board for successive terms, provided that no Director shall serve on the Board for more than nine consecutive years following the Effective Date.

4.4 Process for Nomination or Removal

Shareholders entitled as a group to nominate or specify for removal any Directors shall do so by resolution in writing or by majority vote of such Shareholders present and voting at a meeting of such Shareholders duly called in accordance with the By-laws.

4.5 Chair of the Board

One of the Directors shall be elected from time to time as Chair of the Board by majority vote of the Directors. The Chair of the Board shall chair meetings of the Board and meetings of Shareholders, but shall not be entitled to a second or casting vote.

4.6 Lead Director

One of the Independent Directors shall be elected from time to time to serve as the lead director (the “**Lead Director**”) by majority vote of the Independent Directors then in office. The Lead Director will only have a second or casting vote if there is a tie vote among the Independent Directors on any Special Majority Matter or any matter that is required under this Agreement to be approved by a majority of Independent Directors.

4.7 Chief Executive Officer

The Chief Executive Officer of the Corporation shall not be a Director, but shall be invited to attend most meetings of the Board. At each regular meeting of the Board, the Chief Executive Officer shall report to the Board with respect to the current status of the operations of the Corporation and with respect to all major developments or planned action involving the Corporation and shall present to the meeting complete current financial information with respect to the Corporation and such other information as may be requested by the Board from time to time.

4.8 Mandate and Meetings of the Board

- (a) The Board shall, with the approval of a majority of the Independent Directors then in office, adopt and keep current a board mandate document specifying the role and responsibilities of the Board and the skills and qualifications required of Directors (the “**Board Mandate**”). The Board Mandate shall reflect best practices for board governance and the special role played by the Independent Directors, including their mandate to represent the interests of all Shareholders, and to ensure that all business and affairs of the Corporation are conducted in a manner that is fair to all Shareholders. All material matters relating to the business and affairs of the Corporation shall be determined by the Board.
- (b) The Board shall meet at least once every three months, or as may be more frequently scheduled or called by the Chair of the Board or the Lead Director. Directors may attend meetings of the Board in person, by telephone or by video conference or other communication facilities that permit all individuals participating in the meeting to hear and communicate with each other simultaneously, and a Director participating in such a meeting by such means shall be deemed to be present at the meeting. Written or electronic notice of any meeting of the Board shall be given to each Director at least five Business Days prior to the scheduled date of such meeting, unless such notice is waived by all of the Directors. Any four Directors shall be entitled to call meetings of the Board upon notice as set out in this Section 4.8.

4.9 Committees of the Board

- (a) The Board shall appoint the following committees of the Board (together with the Executive Committee, the “**Committees**”):
 - (i) Finance and Audit Committee;
 - (ii) Governance and Human Resources Committee (to have responsibility as well for health and safety matters); and
 - (iii) Retail and Marketing Committee.
- (b) Each Committee shall include at least one Independent Director. The Retail and Marketing Committee shall include at least one Small Shareholder Nominee or Other Shareholder Nominee who is not a Nominee of an Original Owner.
- (c) The Board shall appoint an executive committee (the “**Executive Committee**”) comprised of three directors, including the Lead Director. For so long as the aggregate Percentage Sales of Labatt and Molson are equal to or greater than 50%, the other two members of the Executive Committee shall be Major Shareholder Nominees of Labatt and Molson. The Executive Committee shall have the authority to deal with all matters, other than Special Majority Matters, specifically delegated to it by the Board with the additional approval of a majority of the Independent Directors, provided that such matters shall be limited to operational decisions that are not material (for this purpose, any matter or series of related matters that involves a payment, settlement, commitment or expense of less than \$500,000 in aggregate shall not be material), including any specific capital expenditures that are generally provided for in an approved Annual Business Plan. All meetings of the Executive Committee shall be minuted and the minutes shall be distributed to all of the Directors in a timely manner. Directors shall be entitled to receive upon their request any additional information relating to matters approved by the Executive Committee, including any information available to the Executive Committee in connection with such matters.
- (d) The Board shall, with the approval of a majority of the Independent Directors then in office, adopt and keep current a committee mandate document specifying the role and responsibilities of, and the powers of the Board delegated to, each Committee (each, a “**Committee Mandate**”).

4.10 Quorum

A quorum for any meeting of the Board or a Committee shall consist of:

- (a) an equal number of Major Shareholder Nominees of each of Labatt and Molson, who together must constitute a majority of the Directors present at any meeting of the Board or any Committee for so long as Labatt and Molson are entitled to nominate and elect a majority of the Directors pursuant to Section 4.1(e) or Section 4.1(g); and

- (b) at least two Independent Directors for any meeting of the Board and at least one Independent Director for any meeting of a Committee.

4.11 Approval of Matters Generally

Notwithstanding any other provision of this Agreement or the Act, but subject to Section 4.10 and Section 4.12, no obligation of the Corporation will be entered into, no decision will be made and no action taken by or with respect to the Corporation, directly or indirectly, with respect to any material matters of the Corporation (including any Special Majority Matters), without obtaining approval by a simple majority of the Directors serving on the Board at the relevant time and in attendance at the meeting of the Board (or, in the case of a written resolution, without obtaining approval from all Directors serving on the Board at the relevant time) or, with respect to any matter delegated by the Board to the Executive Committee, approval by the Executive Committee.

4.12 Special Approval of Certain Matters

Notwithstanding any other provision of this Agreement or the Act, but subject to Section 4.10, in addition to the approval referred to in Section 4.11, no obligation of the Corporation will be entered into, no decision will be made and no action taken by or with respect to the Corporation, directly or indirectly, with respect to any of the matters (each, a “**Special Majority Matter**”):

- (a) referred to in Schedule 4.12(a), without also obtaining the approval of such matter by at least 80% of the Directors then in office and present at the duly constituted meeting considering the matter; or
- (b) referred to in Schedule 4.12(b), without also obtaining the approval of such matter by at least the majority of the Independent Directors then in office and present at the duly constituted meeting considering the matter, but in any case no fewer than two Independent Directors (or, in the case of a written resolution, without obtaining approval from all Independent Directors then in office).

4.13 Review of Certain Matters

During the one year period commencing six months following the Effective Date, the Board shall review and reconsider (as Special Majority Matters) all decisions and actions made or taken by the Corporation prior to the Effective Date that would have an ongoing application and that would have constituted Special Majority Matters referred to in Schedule 4.12(b) if made or taken on or after the Effective Date (including all policies implementing any aspects of the New Beer Agreements and the Board Mandate and Committee Mandates, but excluding the 2016 Annual Budget, the 2016 Annual Business Plan, the capital spending budget for 2016 and the designation of certain Qualifying Brewers to be Small Brewers for purposes of this Agreement) and such matters shall be subject to the approval of the Board and also by at least the majority of the Independent Directors then in office. In addition, upon the request of a majority of the Independent Directors at any time, acting reasonably, the Board shall review and reconsider any Special Majority Matters referred to in Schedule 4.12(b) that were previously made or taken.

4.14 Independent Director Compensation and Expenses

- (a) The Corporation shall compensate the Independent Directors for their services at reasonable commercial rates in effect from time to time as determined by the Board.
- (b) The Corporation shall promptly reimburse in full each Independent Director for all of his or her reasonable out-of-pocket expenses incurred in attending each meeting of the Board or any Committee and in carrying out other duties or activities on behalf of the Corporation.
- (c) In appropriate circumstances, the Independent Directors shall be entitled, acting reasonably, (with the prior approval of the Chairman of the Board, acting reasonably, as to subject matter and quantum of expense) to engage, at the expense of the Corporation, outside legal and other advisors to assist them in discharging their responsibilities as contemplated by this Agreement.

4.15 Directors and Officers Insurance

The Corporation shall maintain directors and officers liability insurance coverage for the Directors and officers of the Corporation on terms and conditions and in an amount consistent with customary practice and otherwise acceptable to the Board.

4.16 Indemnification

The Corporation shall indemnify each Director and such Director's heirs and legal representatives against all reasonable and documented costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such Director in respect of any civil, criminal or administrative proceeding to which such Director is made a party by reason of being or having been a Director provided (i) such Director acted honestly and in good faith with a view to the best interests of the Corporation; and (ii) in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, such Director had reasonable grounds for believing that his or her conduct was lawful.

4.17 Fiduciary Duties

- (a) The Parties acknowledge that some or all of the Directors may have, from time to time, possible conflicts of interest arising from, among other matters, their past or present relationships with, or investments in, a Shareholder. Subject to their fiduciary duties to the Corporation under applicable law, the requirements of this Agreement and the Act, such conflicts of interest shall not, in and of themselves, disqualify such Directors from their office nor from exercising their rights and responsibilities as directors of the Corporation.
- (b) The Shareholders and the Corporation acknowledge that the Directors may share Confidential Information of the Corporation with the Shareholders to permit the Shareholders to monitor the business and affairs of the Corporation; provided, however, that the receiving Shareholder must comply with Section 8.1. The

Corporation acknowledges that such sharing of Confidential Information is not a breach of the fiduciary duty owed by the Directors to the Corporation.

- (c) In addition to giving consideration to the best interests of the Corporation in carrying out their duties in supervising the management of the Corporation:
 - (i) the Directors may give due consideration to broader stakeholder interests in accordance with applicable law; and
 - (ii) in addition to clause (i), the Independent Directors may give due consideration to the Key Principles as reflected in the New Beer Agreements and their purposes and intent and the broader public interest.

The Independent Directors may consult with Qualifying Brewer Shareholders as appropriate to inform and assist them in carrying out their duties under this Agreement, provided that such consultation is done in a manner that reflects the fiduciary duty of all Directors to act in the best interests of the Corporation and all of its Qualifying Brewer Shareholders and not the interests of any individual Qualifying Brewer Shareholder or group of Qualifying Brewer Shareholders, subject to the principles in clauses (i) and (ii) of this Section 4.17(c).

- (d) The Parties acknowledge that as part of the services that the Corporation provides to Brewers Distributing Ltd. pursuant to a services agreement that is based on cost recovery, the Corporation hosts certain data and information belonging to Brewers Distributing Ltd. and that all such data and information is confidential and proprietary and is subject to the protections afforded by such services agreement.

ARTICLE 5

FINANCIAL AND OTHER INFORMATION

5.1 Auditors

PricewaterhouseCoopers LLP or another nationally recognized firm authorized to audit public companies in Canada shall be appointed as Auditor.

5.2 Information for Directors

The Directors will be entitled to have access to information of the Corporation in accordance with the Act.

5.3 Information for Shareholders

- (a) In addition to the information that a Shareholder is entitled to receive under the Act, each Shareholder shall be entitled to receive the following:
 - (i) as soon as practicable, but in any event within 45 days after the end of each quarter of the Corporation's financial year, unaudited financial statements of the Corporation for and as at the end of such quarter, prepared in accordance with generally accepted accounting principles,

consistently applied, and accompanied by a discussion of variances from the Annual Budget;

- (ii) as soon as practicable, but in any event within 90 days after the end of each financial year of the Corporation, audited annual financial statements of the Corporation for and as at the end of such financial year, prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by an audit report of the Auditor;
 - (iii) as soon as practicable, but in any event within 30 days after the beginning of each financial year of the Corporation, the Annual Budget and Annual Business Plan for such financial year, together with an analysis of the impact of the Annual Budget on the Rate Sheet; and
 - (iv) any information reasonably required by Shareholders whose securities are publicly traded to comply with their own reporting obligations.
- (b) The Corporation shall operate on the principle that all Shareholders and their Affiliates are entitled to receive information relating to the Corporation on an equitable basis. To the extent that any information relating to the Corporation is being shared with certain Shareholders on a regular basis (other than information provided to a Shareholder relating only to such Shareholder, such as its own sales or other Confidential Information), the Corporation shall make arrangements to provide all Shareholders with access to such information (which may be shared with their respective Affiliates) on the same basis; provided, however, that, to the extent that the Corporation charges reasonable amounts for the provision of any such information, a Shareholder has paid the relevant amounts.

5.4 Information for the Public

The Corporation shall make the following information available to the public on its website in a timely manner:

- (a) the audited annual financial statements of the Corporation for and as at the end of each financial year, prepared in accordance with generally accepted accounting principles, consistently applied, and accompanied by an audit report of the Auditor;
- (b) the Corporation's annual operations report, prepared on a basis that provides no less information than has been consistent with recent past practice, including details of the amount and use of capital expenditures incurred in the year to which such report relates;
- (c) any policies adopted by the Board that give effect to any of the provisions of the Key Principles as reflected in the New Beer Agreements;
- (d) this Agreement, the Master Framework Agreement and the By-Laws; and

- (e) the composition of the Board and the Committees, and the Board Mandate and Committee Mandates, as they exist from time to time.

5.5 Regulatory Matters

- (a) The Corporation shall continue to follow compliance protocols to ensure the manner in which it operates is in compliance with applicable laws.
- (b) The Regulator is and will be empowered to require additional disclosure from the Corporation, and to monitor, investigate, audit and enforce applicable legislation and regulations and the Regulator's policies in place from time to time, including compliance with social responsibility requirements, in order to ensure compliance with the New Beer Agreements.

ARTICLE 6 MATTERS RELATING TO MANAGEMENT OF THE CORPORATION

6.1 Annual Business Plan and Annual Budget

- (a) Prior to the beginning of each financial year of the Corporation, the Corporation shall prepare a detailed budget and a detailed business plan for such financial year, and shall present such budget and plan to the Board, including the Independent Directors, for approval in sufficient time that such budget and business plan may be approved in accordance with this Agreement (and thereby become the Annual Budget and Annual Business Plan for such financial year) prior to the beginning of such financial year.
- (b) The Corporation shall conduct its business and affairs in a financial year substantially in accordance with the Annual Budget and Annual Business Plan in respect of such financial year and any variations from such Annual Budget or Annual Business Plan approved in accordance with this Agreement from time to time.

6.2 Merchandising, Marketing, Promotions and Shelf Space

- (a) All merchandising, marketing, promotions and shelf space programs and policies relating to the operations of the Corporation shall incorporate the use of clearly defined Beer categories and, where applicable, subcategories except where the Corporation can demonstrate that to do so would not be practicable, with all categories and subcategories being distinctly and prominently incorporated. Categories and subcategories shall be established based on fair and reasonable criteria which, along with the categories and subcategories themselves and the brands included in those categories and subcategories, shall be as approved by a majority of the Independent Directors then in office. All Brewers shall be allowed to have products listed in all categories and subcategories, and the criteria established for each category or subcategory shall not be structured to exclude any Brewer from participating in any category or subcategory based on ownership or production volume. There shall be a subcategory called "Ontario craft beer" within the category of "Domestic specialty beer":

- (i) Any brand of Beer proposed to be included in the “Ontario craft beer” subcategory must also meet the requirements of the “Domestic specialty beer” category (i.e., premium pricing and domestic production).
 - (ii) In addition, to be included in the “Ontario craft beer” subcategory, at least 70% of the worldwide production of that brand must be produced at facilities in Ontario having annual production of Beer of less than 400,000 hectolitres.
 - (iii) The “Ontario craft beer” subcategory shall be distinctly displayed and marketed, with a prominence no less than that of the “Domestic specialty beer” category.
- (b) The Corporation shall provide opportunities for all Brewers to participate in more merchandising, marketing and promotional activities and other activities directed to supporting the growth of all brands and Brewers that sell Through the Corporation greater than those in effect as of the Effective Date. All merchandising, marketing, promotions and shelf space shall be allocated in accordance with the New Beer Agreements except where the Corporation can demonstrate that to do so would not be practicable. Where the Corporation charges Brewers a fee for any merchandising, marketing, promotions or shelf space, such fees shall be paid for by Brewers based on competitively set rates.
- (c) The Corporation shall allocate merchandising, shelf space, marketing and promotions as set forth in Schedule 6.2(c).

6.3 Rate Sheet

- (a) The Rate Sheet shall continue to be tiered and will be structured to achieve the objectives set out in Section 3.1 such that, from September 1, 2015:
 - (i) There shall be separate rate categories for packaged and draught beer, and the relative difference between the two categories shall be consistent with past practice.
 - (ii) For each of packaged and draught Beer, the following rates shall be established per hectolitre of Beer sold through the Corporation:
 - (A) “**Basic Service Fees**”, which shall not include more than \$3.00 in respect of Pension Adjustment Per Hectolitre; and
 - (B) “**Lower Tier Fees**”, which shall not include any amount in respect of Pension Adjustment Per Hectolitre. The Lower Tier Fees will be at least \$2.00 per hectolitre less than the Basic Service Fees.
 - (iii) All Brewers shall pay the same Basic Service Fees on volume of Beer sold through the Corporation with the following exceptions:
 - (A) Brewers (inclusive of their Affiliates) with worldwide production of Beer of less than 1,000,000 hectolitres per year shall be entitled

to pay Lower Tier Fees on their first 50,000 hectolitres of Beer sold through the Corporation each year; and

- (B) the Basic Service Fees to be paid by the Original Owners and Brewers (inclusive of their Affiliates) with worldwide production of Beer of 1,000,000 hectolitres per year or more shall be adjusted upwards to recover any portion of the Pension Amount that is not recovered by the Corporation as a result of clause 6.3(a)(ii) and 6.3(a)(iii)(A).

“Pension Adjustment Per Hectolitre” means the solvency amortization portion of the aggregate cash pension payments of the Corporation in any particular year (the **“Pension Amount”**) divided by the number of hectolitres of Beer sold through the Corporation in that year.

- (iv) The methodology by which the Rate Sheet is calculated for each year shall remain constant during the Term, which methodology is reflected in the calculation of the estimated Rate Sheet set out as Exhibit B.
 - (v) All elected service fees, with the exception of those for merchandising, shelf space, marketing and promotions, shall reasonably approximate the actual cost of providing such services.
 - (vi) Except as otherwise contemplated by the New Beer Agreements, Qualifying Brewers other than the Original Owners shall be treated no less favourably than any other Brewer, including with respect to any rebates or other adjustments to service charges and elected service fees.
- (b) To the extent that the Corporation reasonably determines in good faith that it is not practicable to begin immediately changing rates in accordance with Section 6.3(a) from and after September 1, 2015, it shall as soon as practicable following the implementation of the Rate Sheet in accordance with Section 6.3(a) make retroactive adjustments to the amounts charged to and paid by Brewers so as to put each Brewer in the position that it would have been in had such Rate Sheet been implemented effective September 1, 2015.

6.4 Listing Opportunities

Qualifying Brewers (inclusive of their Affiliates) having Annual Beer Volume of less than 10,000 hectolitres per year shall be provided with 2 free product listings in 7 stores of the Corporation proximate to their breweries. All Qualifying Brewers shall be permitted 2 free seasonal SKU swaps for one existing SKU.

6.5 Other Channels

The Corporation shall not impose any restrictions on the retail, distribution or marketing channels that Brewers may use and shall not penalize Brewers who use such channels outside the Corporation. For clarity, this would not apply to policies that the Corporation may adopt from time to time with respect to the use of its keg pool and similar owned assets.

6.6 Beer Ombudsman

- (a) There shall be an independent Beer Ombudsman, who shall be appointed from time to time by the majority of the Independent Directors then in office. The Beer Ombudsman shall hear complaints from Brewers and customers regarding operational issues relating to the Corporation. The reasonable compensation and expenses of the Beer Ombudsman shall be paid by the Corporation.
- (b) If the Beer Ombudsman is unable to resolve a complaint, it may be submitted to the dispute resolution process established pursuant to Section 8.2.
- (c) The Beer Ombudsman shall report to the Independent Directors at least annually and the Independent Directors shall by majority vote assess the performance of and, acting reasonably and in consultation with the Board, determine the compensation of the Beer Ombudsman from time to time. The annual report of the Beer Ombudsman shall be made available to the public on the Corporation's website after its approval by the Independent Directors and presentation to the Board.

6.7 Inclusion of Draught Sales in Sales "Through the Corporation"

A majority of the Independent Directors may, on one occasion during the two-year period following the date of this Agreement, require the Corporation to review whether the inclusion of sales of draught Beer in the definition of "Through the Corporation" for purposes of this Agreement creates results that are unfairly biased towards any group of Brewers that has a higher proportion of sales of draught Beer taking into consideration the revenues generated by the Corporation from fees charged to Brewers who sell draught Beer through the Corporation and the regulatory requirements for certain Brewers to sell Beer to Licensees through the Corporation. If, as a result of such review, a majority of the Independent Directors (without any requirement for Board approval) determines that such inclusion creates such results, the definition of "Through the Corporation" in Section 1.1 shall be amended to exclude sales of draught Beer.

ARTICLE 7 DEALING WITH SHARES

7.1 Restrictions on Transfer of Shares

- (a) Except as expressly provided in this Agreement, no Shareholder shall Transfer any Securities held by it, or any of its rights or obligations under this Agreement, to any Person.
- (b) Notwithstanding anything else contained in this Agreement, every Transfer of Shares held by a Shareholder, in addition to the requirements of the Corporation's articles and the other requirements of this Agreement, shall be subject to the condition that the proposed transferee, if not already bound by the terms of this Agreement, shall first agree, in writing, to become a party to and be bound by the terms of this Agreement, by executing a form of counterpart and acknowledgement acceptable to the Corporation.

7.2 Endorsement on Certificates

Share certificates of the Corporation shall bear the following language either as an endorsement or on the face of each such share certificate:

“The shares represented by this certificate are subject to the terms and conditions of a unanimous shareholders agreement made ●, 2015 as it may be amended, which agreement contains, among other things, restrictions on the right of the holder to transfer or sell the shares. A copy of such agreement is on file at the registered office of the Corporation.”

7.3 Issue of Additional Shares

Without the prior written agreement of the Shareholders, the Corporation shall not issue any further shares in the capital of the Corporation, or other securities convertible or exchangeable into shares in the capital of the Corporation, other than 100 First Equity Shares issued to each Eligible Qualifying Brewer pursuant to Section 3.3.

7.4 Pledge of Shares

Notwithstanding the provisions of Section 7.1, any Shareholder may pledge, charge, mortgage or otherwise encumber any of its Shares to a bank or other financial institution for the purpose of securing any borrowings by such Shareholder, provided that such bank or financial institution acknowledges to the Parties in writing that the pledge, charge, mortgage or encumbrance of such Shares shall at all times be subject to all the terms and conditions of this Agreement, including the prohibition against Transferring such Shares contained in Section 7.1 except as permitted pursuant to this Article.

7.5 Permitted Transferees

- (a) Subject to the provisions of this Section 7.5, each Shareholder (a **“Transferor”**) shall be entitled, upon prior Notice to the Corporation, to sell, transfer and assign all (but not less than all) of its Shares to (i) any Affiliate or (ii) any Person in connection with the acquisition by such Person of substantially all of the assets of the Shareholder (in each case, a **“Permitted Transferee”**). No such Transfer shall be effective until the Permitted Transferee executes and delivers to the Corporation a counterpart to this Agreement in compliance with Section 7.1(b). No such Transfer shall release or discharge the Transferor from any of its liabilities or obligations under this Agreement.
- (b) The Transferor shall, at all times after the Transfer of Shares to a Permitted Transferee:
 - (i) be jointly and severally liable with the Permitted Transferee for the observance and performance of the covenants and obligations of the Permitted Transferee under this Agreement;

- (ii) cause the Permitted Transferee to remain an Affiliate for so long as the Permitted Transferee has any registered or beneficial interest in the Shares; and
 - (iii) indemnify the other Parties against any loss, damage or expense incurred as a result of the failure by the Permitted Transferee to comply with the provisions of this Agreement.
- (c) Any Permitted Transferee may, upon prior Notice to the Corporation, at any time Transfer back to the applicable Transferor all (but not less than all) such Shares held by such Permitted Transferee.
- (d) The rights of any Permitted Transferee of a Shareholder shall not be any greater than the rights that its Transferor would have if it held Shares directly, and if those rights would have changed (for example, by a Qualifying Brewer Shareholder ceasing to be a Qualifying Brewer), the rights of such Permitted Transferee shall change at the same time and with the same effect.

7.6 Insolvency or Default of a Shareholder

If any Shareholder (i) makes an assignment for the benefit of creditors, (ii) is the subject of any proceedings under any bankruptcy or insolvency law, (iii) avails itself of the benefit of any other legislation for the benefit of debtors or (iv) takes steps to wind up or terminate its corporate existence other than in connection with a corporate reorganization that results in the shares of the Corporation held by such Shareholder being held by a successor or continuing entity, the Corporation shall redeem, in accordance with the articles of the Corporation, the First Equity Shares held by such Shareholder. In the event that, a Shareholder ceases to be a Qualifying Brewer, its First Equity Shares shall become subject to the restrictions set forth in the articles of the Corporation.

ARTICLE 8 GENERAL

8.1 Confidentiality

- (a) Except as otherwise expressly provided for in this Agreement, none of the Parties shall, at any time or under any circumstances, without the consent of the Corporation, directly or indirectly communicate or disclose to any Person (other than its employees, agents, advisors and representatives and their respective Affiliates as reasonably necessary in connection with its interest in the Corporation, and to those of the other Parties) or make use of (except in connection with its interest in the Corporation) any Confidential Information howsoever acquired by such Party. In this Agreement, “**Confidential Information**” means any confidential knowledge or information howsoever acquired by such Party relating to or concerning the customers, products, technology, trade secrets, systems or operations, or other confidential information regarding the property, business or affairs, of the Corporation or any of its Subsidiaries. However, the foregoing obligation of confidentiality shall not apply to:

- (i) information that is or becomes generally available to the public (other than by disclosure by such Party or its employees, agents, nominees, advisors or representatives contrary to this Section 8.1);
- (ii) information that is reasonably required to be disclosed by a Party to protect its interests in connection with any valuation or legal proceeding in relation to this Agreement;
- (iii) information that is required to be disclosed by law or by the applicable regulations or policies of any regulatory agency of competent jurisdiction or any stock exchange; or
- (iv) disclosure of information by a Shareholder in connection with a proposed transaction relating to such Shareholder, provided such Shareholder obtains a prior written covenant of confidentiality on reasonable commercial terms from the Person to whom it proposes to disclose such information.

Notwithstanding the foregoing, if a Party in good faith determines that disclosure of Confidential Information to the Province (which in no event may include the LCBO) is warranted in the circumstances, such Party shall notify the Corporation and the Board requesting the Corporation to provide such information to the Province. Unless such information is subject to privilege, the Corporation shall provide such information to the Province within 15 Business Days of such Notice. The Corporation shall retain the right to prevent the disclosure of any information that is subject to the *Freedom of Information and Protection of Privacy Act* (Ontario) pursuant to the protections afforded by that Act.

- (b) Each of the Parties acknowledges that disclosure of any Confidential Information in contravention of this Section 8.1 may cause significant harm to the Corporation and its Subsidiaries and that remedies at law may be inadequate to protect against a breach of this Section. Accordingly, the Corporation shall be entitled, in addition to any other relief available to it, to the granting of injunctive relief without proof of actual damages or the requirement to establish the inadequacy of any of the other remedies available to it. None of the Parties shall assert any defence in proceedings regarding the granting of an injunction or specific performance based on the availability to the Corporation of any other remedy. Each Party acknowledges that it shall be liable to the other Parties for disclosure of any Confidential Information in contravention of this Section 8.1 by it or any of its Affiliates or any of their respective employees, agents, nominees, advisors or representatives.

8.2 Dispute Resolution

- (a) 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 this Section 8.2.

- (b) A Party claiming that a Dispute has arisen shall provide Notice of such Dispute to the other party or parties to the Dispute (collectively, the “**Dispute Parties**”) and to the Beer Ombudsman. The Notice shall include a concise description of the Dispute and the position of the party providing the Notice. The Dispute Parties shall discuss and negotiate the potential resolution of the Dispute in good faith with the intent of reaching an equitable solution for each such Dispute Party, acting reasonably, within 30 days of such Notice.
- (c) If a Dispute is not resolved pursuant to the process set forth in Section 8.2(b) within the 30-day period specified in such Section, the Beer Ombudsman shall assist the Dispute Parties to attempt to reach an equitable solution within a further 30-day period, through mediation. The Beer Ombudsman shall not be authorized to impose a decision or resolution of the Dispute on the Dispute Parties in the course of a mediation held under this Section 8.2(c). Subject to this Agreement, the Beer Ombudsman may conduct the mediation in such manner as he or she considers appropriate. Under the Beer Ombudsman’s supervision, any settlement reached by the Dispute Parties during the mediation shall be confirmed in writing. The existence and any element of any negotiation or mediation pursuant to Section 8.2(b) or Section 8.2(c) shall be confidential and shall be subject to Section 8.1 of the Agreement. Confidential information regarding the property, business or affairs of any Dispute Party that is disclosed during the negotiation or mediation shall be kept confidential by the Beer Ombudsman and all other Dispute Parties as if Section 8.1 of the Agreement included such information within the definition of Confidential Information.
- (d) Unless the Dispute Parties agree to an unequal allocation of costs, the fees and expenses of the Beer Ombudsman with respect to a mediation held under Section 8.2(c) and costs of any mediation facilities shall be periodically billed to and paid in equal proportions by the Dispute Parties as the mediation proceeds. Where a Dispute is referred to arbitration pursuant to Section 8.2(e), the costs of the mediation held under Section 8.2(c) shall be awarded by the Arbitration Tribunal pursuant to the procedures set out in Schedule 8.2 to this Agreement.
- (e) Any Dispute not resolved in its entirety pursuant to the process set forth in Section 8.2(b) or Section 8.2(c) within the 60-day period specified in such Sections shall be referred to and determined by arbitration before a single arbitrator in accordance with the *Arbitration Act*, 1991 (Ontario) (or the *International Commercial Arbitration Act* (Ontario), as applicable) and the procedures set out in Schedule 8.2 to this Agreement.
- (f) A Dispute Party may apply to the Ontario Superior Court of Justice for interim measures of protection at any time prior to the appointment of an Arbitration Tribunal pursuant to Section 8.2(e) and Schedule 8.2 to this Agreement.
- (g) If the Province commences any dispute resolution proceeding under the Master Framework Agreement in connection with the same subject matter as a Dispute against the Corporation or an Original Owner arising out of or relating to this Agreement, any proceeding before the Beer Ombudsman, mediation, arbitration or court proceeding under this Section 8.2 shall be stayed pending the final

resolution of such proceeding. If in the proceeding under the Master Framework Agreement, the Corporation or Original Owner is found not to have breached this Agreement, or if the Province elects to exercise a Final Award permitting it to terminate the New Beer Agreements, the Dispute Parties shall be estopped from bringing any claim or seeking or obtaining any compensation or other remedy of any kind (other than such termination by the Province under the Master Framework Agreement), including for breach of contract, for restitution, under tort or trust law, against the Corporation or an Original Owner in connection with such Dispute. For clarity, if a Dispute Party has obtained an award from an Arbitration Tribunal under this Agreement and such award has been satisfied by the Corporation or the Original Owners, as applicable, such that the Province is precluded under Section 8.6(d) of the Master Framework Agreement from seeking termination under that agreement, this Section 8.2(g) shall not affect such Dispute Party's right to retain the proceeds of such award.

8.3 By-Laws and Policies

The By-Laws of the Corporation shall not be inconsistent with the provisions of the New Beer Agreements. Subject to the transitional period for review of certain decisions and actions made or taken by the Corporation prior to the Effective Date as set out in Section 4.13, the policies of the Corporation shall not be inconsistent with the provisions of the New Beer Agreements. For clarity, any inconsistency in such policies prior to the review and reconsideration set out in Section 4.13 shall be deemed not to constitute a breach of, or for purposes of, any New Beer Agreement.

8.4 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party).

8.5 Entire Agreement

This Agreement together with the other New Beer Agreements constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and sets out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties pertaining to that subject matter and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, pertaining to that subject matter, including any prior unanimous shareholder agreement. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and the other New Beer Agreements.

8.6 Termination

This Agreement shall terminate at the expiration or termination of the Master Framework Agreement. This Agreement shall also terminate prior to the end of the Term upon:

- (a) the dissolution or bankruptcy of the Corporation or the making by the Corporation of an assignment under the provisions of the *Bankruptcy and Insolvency Act* (Canada)
- (b) the date on which this Agreement is terminated by written agreement of all of the Shareholders; or
- (c) one Person becoming the beneficial owner of all of the Shares;

except that the provisions of Sections 8.1 and 8.2 shall continue in the event of a termination for any reason.

8.7 Independent Legal Advice

The Parties acknowledge that they have entered into this Agreement willingly with full knowledge of the obligations imposed by the terms of this Agreement. The Parties acknowledge that they have each been afforded the opportunity to obtain independent legal advice and confirm by the execution of this Agreement that they have either done so or waived their right to do so, and agree that this Agreement constitutes a binding legal obligation and that they are estopped from raising any claim on the basis that they have not obtained such advice.

8.8 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (a “**Notice**”) shall be 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 facsimile or e-mail:

- (a) in the case of a Notice to the Corporation at:

Brewers Retail Inc.
5900 Explorer Drive
Mississauga, Ontario, L4W 5L2

Attention: President
Fax: (905) 361-4240

- (b) 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: General Counsel
Fax: (416) 681-4087

- (c) in the case of a Notice to Molson at:

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

Attention: Vice President, General Counsel
Fax: (416) 679-0630

- (d) in the case of a Notice to Sleeman at:

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

Attention: President and Chief Executive Officer
Fax: (519) 822-3164

- (e) in the case of a Notice to a Qualifying Brewer Shareholder (other than the Original Owners) at the most recent address for such Qualifying Brewer Shareholder provided by it to the Corporation for such purpose or, if such Qualifying Brewer Shareholder has not provided such an address, at the registered or principal office of such Qualifying Brewer Shareholder in Ontario.

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.

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

8.9 Costs and Expenses

Except as otherwise specified in this Agreement, all costs and expenses (including the fees and disbursements of accountants, financial advisors, legal counsel and other professional advisors) incurred in connection with this Agreement, including the obligations under this Agreement, the completion of the transactions contemplated by this Agreement and the enforcement of this Agreement are to be paid by the Party incurring those costs and expenses.

8.10 Amendments and Waivers

No amendment to this Agreement shall be valid or binding unless approved:

- (a) by Shareholders holding at least two-thirds of the voting rights attached to the First Equity Shares; and
- (b) in respect of an amendment made during the Term, by a majority of the Independent Directors.

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.

8.11 Regulatory Authority

Nothing in this Agreement or the other New Beer Agreements derogates from current or future legislative or regulatory authority under the Liquor Control Act, AGRPPA or any other statute or regulation of the Province.

8.12 Assignment

Except as may be expressly provided in this Agreement, none of the Parties to this Agreement may assign its rights or obligations under this Agreement without the prior written consent of the Board.

8.13 Execution and Delivery

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

[Signature pages follow]

IN WITNESS OF WHICH the Parties have duly executed this Agreement.

**LABATT BREWING COMPANY
LIMITED**

By: _____
Name:
Title:

By: _____
Name:
Title:

MOLSON CANADA 2005

By: _____
Name:
Title:

By: _____
Name:
Title:

SLEEMAN BREWERIES LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

BREWERS RETAIL INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A
FORM OF SUBSCRIPTION AGREEMENT

BREWERS RETAIL INC.
SUBSCRIPTION AGREEMENT
(FOR QUALIFYING BREWERS
LOCATED OR RESIDENT IN ONTARIO)

Name of Subscriber

INSTRUCTIONS

Please complete and sign the **first page** of the Subscription Agreement and deliver your completed and signed Subscription Agreement (along with any other documents required to be delivered under this Subscription Agreement) and full payment of the aggregate subscription price for the First Equity Shares (by certified cheque or bank draft payable to “Brewers Retail Inc.”) to the Corporation at 5900 Explorer Drive, Mississauga, Ontario, L4W 5L2, Attention: Ted Moroz, President, Phone: 905.361.4204, Fax: 905.361.4204, Email: Ted.moroz@thebeerstore.ca. Any further documentation required by the Corporation, any regulatory authority or the Premier of Ontario’s Advisory Council on Government Assets, under applicable securities laws, or as otherwise contemplated by this Agreement is to be delivered to the Corporation at the address above.

Your subscription is made on the terms and conditions set out in the Subscription Agreement. Ensure that you read the entire agreement carefully, and seek independent investment, legal, tax and other professional advice as you consider necessary.

The securities for which you are subscribing are non-transferrable securities of a private company and are subject to an indefinite hold period.

SUBSCRIPTION AGREEMENT

TO: Brewers Retail Inc. (the “Corporation”)

The Subscriber named below subscribes for and agrees to purchase from the Corporation one hundred (100) First Equity Shares in the capital of the Corporation for the aggregate subscription price set out below (representing a subscription price of \$1.00 per First Equity Share), on and subject to the attached “Terms and Conditions of the Offering” (together with this page and the attached Schedule, the “Agreement”).

Number of First Equity Shares	Subscriber’s Aggregate Subscription Price (at \$1.00 per First Equity Share)
100	\$100.00

Signed by the Subscriber as of _____, 2015.

Please complete this entire Agreement. Please print, except in the case of signatures.

Name of Subscriber

Signature of Subscriber (or authorized signatory /
agent on behalf of Subscriber)

Residential or head office address of Subscriber

Name and official capacity or title of authorized
signatory / agent (if applicable)

Telephone number of Subscriber

Email address of Subscriber

Facsimile number of Subscriber

The Corporation accepts this subscription on the terms and conditions contained in this Agreement as of _____, 2015.

Brewers Retail Inc.

Per: _____
Authorized signatory

This is the first page of an agreement composed of 10 pages (not including Schedule A).

TERMS AND CONDITIONS OF THE OFFERING

The terms and conditions of the Subscriber's purchase of First Equity Shares from the Corporation are as follows:

1. Definitions

In this Agreement, the following terms have the following meanings:

- 1.1 “**Agreement**” means this Subscription Agreement, including Schedule A, as it may be amended or supplemented by written agreement between the parties.
- 1.2 “**Business Day**” means any day excluding a Saturday, Sunday or statutory holiday in the province of Ontario.
- 1.3 “**Communication**” is defined in Section 5.1.
- 1.4 “**Corporation**” means Brewers Retail Inc., a corporation incorporated under the *Business Corporations Act* (Ontario) and includes any successor corporation to it.
- 1.5 “**First Equity Shares**” means the First Equity Shares in the capital of the Corporation.
- 1.6 “**OSC Decision**” means the decision of the Ontario Securities Commission attached as Schedule “A” to this Agreement.
- 1.7 “**person**” will be broadly interpreted and includes:
 - 1.7.1 an individual;
 - 1.7.2 a corporation;
 - 1.7.3 a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not; and
 - 1.7.4 an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative.
- 1.8 “**Personal Information**” is defined in Section 5.10.
- 1.9 “**Purchased Shares**” means the First Equity Shares purchased by the Subscriber under this Agreement.
- 1.10 “**Shareholders Agreement**” is defined in Section 2.2.
- 1.11 “**Subscriber**” means the person named as the “Subscriber” on the execution page of this Agreement.
- 1.12 “**United States Securities Act**” means the United States *Securities Act of 1933*, as amended.
- 1.13 “**U.S. Person**” means a “U.S. person” as defined in Regulation S under the United States Securities Act.

2. Terms and Conditions of Purchase

- 2.1 **Offer and Acceptance:** By signing this Agreement, the Subscriber offers to subscribe for the number of First Equity Shares set out on the first page of this Agreement. The Corporation may reject the Subscriber's subscription for First Equity Shares set out in this Agreement if the Subscriber is not a Qualifying Brewer (as defined below). This Agreement is not enforceable against the Corporation until it has been accepted by the Corporation. The First Equity Shares to be issued under this Agreement are part of an offering by the Corporation of ownership of the Corporation to all Qualifying Brewers (as defined below).
- 2.2 **Shareholders Agreement:** The Subscriber agrees to be bound by all of the terms and conditions of the unanimous shareholder agreement dated as of the ● day of ●, 2015 between the Corporation, Molson Canada 2005, Labatt Brewing Company Limited, Sleeman Breweries Ltd. and all of the holders of First Equity Shares from time to time, as it may be amended from time to time (the "**Shareholders Agreement**"). By signing this Agreement, the Subscriber will be bound by, and shall thereupon automatically become a party to, the Shareholders Agreement.
- 2.3 **Compliance with Laws:** The Subscriber agrees to comply with applicable securities laws, including the OSC Decision, concerning the purchase of, the holding of, and the resale restrictions applicable to, the Purchased Shares.
- 2.4 **Expenses:** All costs incurred by the Subscriber (including any fees and disbursements of any legal counsel or other advisors retained by the Subscriber) relating to the purchase of the Purchased Shares will be borne by the Subscriber.
- 2.5 **Share Certificates:** Certificates representing the Purchased Shares will be available for delivery to the Subscriber against payment to the Corporation of the aggregate subscription price for the Purchased Shares.

3. Representations, Warranties and Covenants of the Subscriber

- 3.1 **Representations, Warranties and Covenants:** The Subscriber represents and warrants to, and covenants with, the Corporation as follows, and acknowledges that the Corporation is relying on the representations and warranties given by the Subscriber in this Agreement, despite any investigation made by or on behalf of the Corporation.
- 3.1.1 **Residence:** The Subscriber is resident in the place identified as the Subscriber's residential or head office address on the first page of this Agreement, and that address is the Subscriber's residential or business office address and is not being used solely for the purpose of acquiring the Purchased Shares. The Subscriber is located or resident in the Province of Ontario and eligible to acquire First Equity Shares pursuant to the OSC Decision.
- 3.1.2 **Purchasing as Principal:** The Subscriber is purchasing the Purchased Shares as principal for the Subscriber's own account and not for the benefit of any other person. The Subscriber is not purchasing the Purchased Shares with a view to the resale or distribution of any of the Purchased Shares.

- 3.1.3 **Qualifying Brewer:** The Subscriber operates one or more facilities manufacturing Beer (as defined in the *Liquor Licence Act* (Ontario) in Ontario, sells Beer through the Corporation and satisfies the following criteria (a “Qualifying Brewer”):
- 3.1.3.1 it has a valid Ontario manufacturing licence issued by the Alcohol and Gaming Commission of Ontario;
 - 3.1.3.2 it has a valid Canadian manufacturing licence issued by the Canada Revenue Agency;
 - 3.1.3.3 it conducts the full brewing process up to the point of packaging, including mashing, lautering, boiling, hop separation and fermentation, in its Ontario Beer manufacturing facilities; and
 - 3.1.3.4 it either (A) does not produce Beer in any other jurisdiction or (B) its Ontario Beer manufacturing facilities have a minimum annual capacity of 10,000 hectolitres of Beer in the aggregate and a minimum annual production of 2,500 hectolitres of Beer in the aggregate.
- 3.1.4 **Other Representations in Subscription Agreement:** The representations made by the Subscriber in this Agreement, including the statements made by the Subscriber on page 1 of this Agreement, and any other documents delivered by the Subscriber under this Agreement, are true and correct.
- 3.1.5 **Purchase under OSC Decision:** The Subscriber is aware that the Corporation is relying on the OSC Decision, which provides an exemption from the requirements under securities laws to provide the Subscriber with a prospectus, and no prospectus has been filed by the Corporation with any regulatory authority in connection with the issuance of the Purchased Shares, and as a consequence:
- 3.1.5.1 the Subscriber is restricted from using some of the civil remedies otherwise available under securities laws and certain protections, rights and remedies provided by securities laws, including statutory rights of rescission or damages, will not be available to the Subscriber; and
 - 3.1.5.2 the Subscriber may not receive information that would otherwise be required to be provided to the Subscriber under securities laws.
- 3.1.6 **Resale Restrictions:** The Subscriber is aware that there are restrictions on the Subscriber’s ability to resell the Purchased Shares and it is the Subscriber’s responsibility to consult the Subscriber’s own advisors to find out what those restrictions are and to comply with them before selling the Purchased Shares. The Subscriber is aware that the Subscriber will not be able to resell the Purchased Shares except in accordance with limited exemptions under the Shareholders Agreement and applicable securities laws and agrees that certificates representing the First Equity Shares may bear a legend indicating that the resale of those securities is restricted.

3.1.7 **Absence of Public Market:** The Subscriber is aware that:

- 3.1.7.1 the Corporation is not a “reporting issuer” or the equivalent in any jurisdiction and, accordingly, the Purchased Shares will be subject to an indefinite hold period under applicable securities laws, including the OSC Decision;
- 3.1.7.2 the First Equity Shares are not listed on any stock exchange and no market, public or otherwise, exists for the First Equity Shares; and
- 3.1.7.3 the First Equity Shares are subject to transfer restrictions contained in the Corporation’s constating documents and unanimous shareholders agreement to which the Subscriber will become a party pursuant to the execution and delivery of this Agreement.

3.1.8 **No Government Endorsement or Insurance:** The Subscriber is aware that:

- 3.1.8.1 no stock exchange, governmental agency, securities commission or similar regulatory authority has reviewed or passed on or made any finding or determination as to the merits of, or made any recommendation or endorsement with respect to, the Purchased Shares; and
- 3.1.8.2 there is no government or other insurance covering the Purchased Shares.

The Subscriber is aware of the characteristics of the Purchased Shares and the provisions relating to the issuance in the Purchased Shares, and has the sophistication and experience in the Corporation’s industry (or has received appropriate independent advice) to be capable of evaluating the merits of ownership in the Purchased Shares and the Corporation.

3.1.9 **Capacity and Authority:** If the Subscriber is:

- 3.1.9.1 a corporation, the Subscriber is duly incorporated and validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement;
- 3.1.9.2 a partnership, syndicate or other form of unincorporated organization, the Subscriber has the necessary legal capacity and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and the Subscriber has obtained all approvals necessary in order to do so; or
- 3.1.9.3 an individual, the Subscriber is of full age of majority and has the legal capacity and competence to enter into and execute this Agreement and to perform the Subscriber’s obligations under this Agreement.

- 3.1.10 **Due Execution and Delivery:** This Agreement has been duly executed and delivered by the Subscriber, and constitutes a legal, valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms.
- 3.1.11 **No Breach:** The entering into of this Agreement by the Subscriber and the performance by the Subscriber of the transactions contemplated by this Agreement do not and will not result in the violation of any of the terms and provisions of any law, judgment or order applicable to the Subscriber, or (if applicable) the constating documents of the Subscriber, or any agreement, written or oral, to which the Subscriber may be a party or by which the Subscriber is or may be bound.
- 3.1.12 **United States Securities Laws:** The Subscriber is not a U.S. Person and the Purchased Shares were not offered to the Subscriber in the United States. At the time the buy order for the Purchased Shares originated, the Subscriber was outside the United States. This Agreement was executed and delivered by the Subscriber outside the United States.
- 3.1.13 **Independent Advice:** In connection with this Agreement and the investment in the Purchased Shares, the Subscriber has not relied upon the Corporation (or any of the Corporation's directors, officers, employees, agents or representatives) for investment, legal, tax or other professional advice, and the Subscriber has sought or elected not to seek the advice of the Subscriber's own personal investment advisers, legal counsel and tax advisers. The Subscriber is aware that legal counsel retained by the Corporation are acting as counsel to the Corporation, and not as counsel to the Subscriber and the Subscriber may not rely upon that legal counsel in any respect. The Subscriber has had the opportunity to seek, and was not prevented or discouraged by the Corporation from seeking, any independent advice which the Subscriber considered necessary before the execution and delivery of this Agreement.
- 3.1.14 **Representations Relied On:** No person (including the Corporation) has made to the Subscriber any written or oral representations:
- 3.1.14.1 that any person will resell or repurchase any of the Purchased Shares, other than the Corporation;
 - 3.1.14.2 that any person will refund the purchase price for the Purchased Shares, other than the Corporation if the Subscriber ceases to be Qualifying Brewer or voluntarily delivers the Purchased Shares for redemption;
 - 3.1.14.3 as to the future price or value of any of the Purchased Shares; or
 - 3.1.14.4 that any of the Purchased Shares will be listed and posted for trading on a stock exchange.

- 3.1.15 **No Offering Document or Advertisement:** The Subscriber has not received (and has no need to receive) an offering memorandum, prospectus or other disclosure document in respect of the Purchased Shares or the Corporation describing the business and affairs of the Corporation, other than the welcome letter dated ●, 2015 and attachments thereto (the “**Welcome Letter**”) delivered by the Corporation concurrently with this Agreement and which the Subscriber acknowledges receiving, in order to assist the Subscriber in making a decision in respect of the subscription for the Purchased Shares. The Subscriber has not become aware of any sales literature or advertisement (including in printed public media, or on radio, television or the internet) with respect to the distribution of the Purchased Shares.
- 3.1.16 **Future Issuances of First Equity Shares:** The Subscriber is aware that the Corporation may complete additional issuances of First Equity Shares to Qualifying Brewers in the future pursuant to its agreement with the Province of Ontario to allow all Qualifying Brewers in Ontario to participate in ownership of the Corporation and that any future issuances of First Equity Shares may have a dilutive effect on current securityholders, including the Subscriber.
- 3.2 **Notification of Change:** The Subscriber will notify the Corporation of any changes in any representation, warranty or other information relating to the Subscriber set out in this Agreement.
- 4. Interpretation**
- 4.1 **Extended Meanings:** In this Agreement, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words “**including**” or “**includes**” in this Agreement is to be construed as meaning “including, without limitation” or “includes, without limitation”, respectively.
- 4.2 **Sections and Headings:** The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- 4.3 **References:** References in this Agreement to a Section or Schedule are to be construed as references to a Section or Schedule of or to this Agreement unless otherwise specified.
- 4.4 **Statutory Instruments:** Unless otherwise specified, any reference in this Agreement to any statute includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time.
- 4.5 **Entire Agreement:** This Agreement, together with, the Welcome Letter, the Shareholders Agreement and any other agreement or agreements and other documents to be delivered under this Agreement, constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties pertaining to that subject matter, other than the provisions of the non-disclosure agreement between the Corporation and the Subscriber, and there are no representations, warranties or other agreements between the parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement, the Welcome Letter, the Shareholders

Agreement or in any of the other agreements and documents delivered under this Agreement. No party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement, the Welcome Letter, or in any of the other agreements and documents delivered under this Agreement.

5. General

5.1 **Notices:** Any notice or other communication required or permitted to be delivered under this Agreement (a “**Communication**”) must be in writing and either:

5.1.1 personally delivered;

5.1.2 sent by prepaid registered mail; or

5.1.3 sent by facsimile or email.

Any Communication to the Corporation must be sent as follows:

5900 Explorer Drive
Mississauga, Ontario
L4W 5L2

Attention: Ted Moroz, President
Facsimile no.: 905.361.4204
Email address: Ted.moroz@thebeerstore.ca

Any Communication to the Subscriber will be addressed to the address, facsimile number or email address of the Subscriber as provided in this Agreement.

Either party may change its address for delivery of Communications by sending the other party a Communication given in accordance with this Section 5.1. A Communication will, if personally delivered or sent by facsimile or email before 4:00 p.m. (local time at the place of delivery or receipt) on a Business Day, be deemed to be given and received on that day and will otherwise be deemed to be given and received on the next Business Day. A Communication sent by mail will be deemed to have been given and received on the fifth Business Day after the Communication is posted (but if there is a general mail disruption during that period, the Communication will be deemed to have been given and received on the fifth Business Day after the disruption ends).

5.2 **Severability:** Each Section of this Agreement is distinct and severable, and if any Section of this Agreement, in whole or in part, is or becomes illegal, invalid, void, voidable or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that Section, in whole or in part, will not affect the legality, validity or enforceability of the remaining Sections of this Agreement, in whole or in part, or the legality, validity or unenforceability of that Section, in whole or in part, in any other jurisdiction, in each case as long as the legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to either party to this Agreement.

- 5.3 **Governing Law, Submission to Jurisdiction:** This Agreement will be governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that province. Each of the parties to this Agreement irrevocably and unconditionally submits and attorns to the exclusive jurisdiction of the courts of the province of Ontario to determine all issues, whether at law or in equity, arising from this Agreement.
- 5.4 **Amendments:** The provisions of this Agreement may only be amended with the written consent of each of the parties to this Agreement.
- 5.5 **Further Assurances:** Each party to this Agreement will, at the request of the other party to this Agreement, perform any further acts and execute and deliver any further documents as may be reasonably required to fully give effect to this Agreement. The Subscriber will promptly execute, deliver and file (or assist the Corporation in filing) any reports, undertakings or other documents, and will promptly provide any assurances, undertakings and information, as may be required by law or by any securities commission or other regulatory authority in connection with the transactions contemplated by this Agreement.
- 5.6 **Assignment and Enurement:** Neither this Agreement nor any right or obligation under this Agreement may be assigned by either party without the prior written consent of the other party to this Agreement. This Agreement enures to the benefit of and is binding upon the parties to this Agreement and their respective heirs, executors, administrators, estate trustees, trustees, personal or legal representatives, successors and permitted assigns.
- 5.7 **Counterparts and Electronic Delivery:** This Agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and each of which may be delivered by facsimile, email or other functionally equivalent electronic means of transmission, and those counterparts will together constitute one and the same instrument.
- 5.8 **Survival:** The representations, warranties, consents, covenants and indemnities contained in this Agreement or in any certificate, document or instrument delivered under this Agreement will survive the completion of the transactions contemplated by this Agreement.
- 5.9 **Currency:** Unless otherwise specified, all currency amounts in this Agreement are expressed in Canadian dollars.
- 5.10 **Personal Information:** The Subscriber consents to the collection by the Corporation of personal information about the Subscriber (as defined under applicable privacy laws, the “**Personal Information**”) for the purpose of completing the transactions contemplated by this Agreement. The Subscriber consents to the Corporation retaining the Personal Information for as long as permitted or required by law or business practices. The Subscriber acknowledges that the Corporation may use the Personal Information: (i) internally (for the purpose of managing the relationship between and contractual obligations of the Corporation and the Subscriber); (ii) for income tax-related purposes; (iii) to demonstrate compliance with securities laws; and (iv) in record books prepared in respect of the offering of the securities contemplated in this Agreement. The Subscriber acknowledges that the Corporation may disclose the Personal Information: (i) to the Canada Revenue Agency; (ii) to professional advisers of the Corporation in connection with the performance of their professional services; (iii) as required by securities regulatory authorities, stock exchanges and other regulatory bodies; (iv) to a governmental or other authority to which the disclosure is required by court order or subpoena compelling that disclosure (if there is no reasonable alternative to that

disclosure); (v) to a court determining the rights of the parties under this Agreement; (vi) to any other parties involved in the offering of the securities contemplated in this Agreement, including legal counsel; and (vii) as otherwise required or permitted by law. The Subscriber consents to the use and disclosure of the Personal Information set out in this Section 5.10.

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**SCHEDULE A
TO THE SUBSCRIPTION AGREEMENT**

DECISION OF THE ONTARIO SECURITIES COMMISSION

{to be attached when issued}

EXHIBIT B
ESTIMATED RATE SHEET

The following is an illustration of the rate sheet methodology applied to the Corporation's 2015 budget.

Subject to the terms of paragraph 6.3 of this agreement, the Rate Sheet is to be set such that both of the following criteria are achieved:

- i) Basic Service Fee draught rates per hectolitre shall be equal to the sum of (A) 82.675% multiplied by the result of the Basic Service Fee packaged rate less any Pension Adjustment Per Hectolitre included in the Basic Service Fee packaged rate, and (B) the applicable Pension Adjustment Per Hectolitre; and
- ii) The sum of volumes by brewer multiplied by the applicable Basic Service Fee rate, shall equal the Basic Service Fee Requirement (as hereafter defined).

Budget 2015 Retail and Licensee Volumes

Retail and Licensee Volumes		
Hectolitres (hL)	2015 budget	Reference
Packaged Volumes		
Subject to Lower Tier Fees	237,221	
Subject to Basic Service Fees		
Brewers with <1m hL globally	207,923	W
Original Owners and Brewers >1m hL globally	4,457,344	X
Total Packaged Volumes	4,902,487	A
Draught Volumes		
Subject to Lower Tier Fees	23,061	
Subject to Basic Service Fees		
Brewers with <1m hL globally	606	Y
Original Owners and Brewers >1m hL globally	660,910	Z
Total Draught Volumes	684,577	B

Basic Service Fee Requirement based on cash costs of operating the Corporation

Basic Service Fee Requirement		
\$'000	2015 budget	Reference
Total expenses¹	411,274	
Less: non-cash expenses ²	(37,604)	
Add: capital expenditure and defined benefit plan cash funding ³	63,619	
Total cash costs of operating the Corporation	437,289	
Less: other revenue ⁴	(178,824)	
Basic Service Fee Requirement (Total)⁵	258,465	
Pension Amount	(17,207)	C
Basic Service Fee Requirement (applicable to Lower Tier Fees)	241,258	D

Note 1: Total expenses includes cost of sales, wages and benefits, occupancy costs, operating costs, other operating expenses and current income tax expense

Note 2: Includes depreciation and amortization and Defined Benefit Plan Expense. Defined Benefit Plan Expense means the budgeted accounting expense for the relevant period for the defined benefit plans sponsored by TBS including but not limited to Brewers Retail Inc. Pension Plan for Salaried Employees, Brewers Retail Pension Plan for Bargaining Unit Employees, Post-Employment Benefits for Brewers Retail Inc. (LTD), and Post-Retirement Benefits for Brewers Retail Inc. (LTD). For the avoidance of doubt, any TBS defined contribution plan is excluded from this definition.

Note 3: Includes capital expenditures and defined benefit plan cash funding

Note 4: Includes elected fee revenue, other revenue, draught and related product revenue, miscellaneous income and proceeds from real estate disposals

Note 5: Basic Service Fee Requirement means the total basic fees required to cover the costs of the Corporation (net of other revenues)

Calculation of Pension Adjustment per Hectolitre

Calculation of Pension Adjustment Per Hectolitre		
	2015 budget	Reference
Pension Amount (\$'000)	17,207	C
Volumes subject to Pension Amount (hL)	5,326,782	$E = (W + X + Y + Z)$
Pension Adjustment Per Hectolitre (\$ / hL)	\$3.23	$F = C / E$
Pension Adjustment inclusion in Basic Service Fees per Section 6.3(a)(ii)(A) (\$ / hL)	\$3.00	G = Lesser of F and \$3.00
Volumes of Brewers with <1m hL globally (hL)	208,528	W + Y
Pension Cost to be Covered by Brewers with <1m hL globally (\$'000)	626	$H = G * (W + Y)$
Pension Amount to be covered by Original Owners and Brewers >1m hL globally (\$'000)	16,581	$I = C - H$
Volumes of Original Owners and Brewers >1m hL globally (hL)	5,118,254	X + Z
Pension Adjustment on volumes of Original Owners and Brewers >1m hL globally (\$ / hL)	\$3.24	$J = I / (X + Z)$

Calculation of Rate Card based on 2015 Budget

Rate Sheet		
\$ / Hectolitre (hL)	2015 budget	Reference
	Used in calculations only -> \$44.12	$K = (D / (A + B * 82.675\%))$
	Used in calculations only -> \$36.47	$N = L * 82.675\%$
Packaged rate⁶		
Lower Tier Fees	\$44.12	L = Lesser of K and (M - \$2.00)
Basic Service Fees	\$47.12	$M = K + G$
Original Owners and Brewers > 1mhL	\$47.36	K + J
Draught rate⁶		
Lower Tier Fees	\$36.47	Lesser of N and (O - \$2.00)
Basic Service Fees	\$39.47	$O = (K * 82.675\%) + G$
Original Owners and Brewers > 1mhL	\$39.71	$(K * 82.675\%) + J$

Note 6: To the extent the Lower Tier Fee rate is \$2.00 less than Basic Service Fees (i.e. condition met when $L = M - \$2.00$), then the Basic Service Fees and the Basic Service Fees paid by the Original Owners and Brewers with >1m hL globally shall be adjusted upwards to recover any shortfall in the Basic Service Fee Requirement

SCHEDULE 3.3(B)
DETERMINATION OF BOOK VALUE

[Note: The Corporation shall prepare a draft of the guidelines for determining Book Value of the Assets or Liabilities of the Corporation, together with a detailed calculation of the Net Book Value as at December 31, 2014, (together, the “Draft Schedule”) and provide the Draft Schedule to a financial advisor designated by the Province (the “Financial Advisor”) for review and comment. The Corporation and the Financial Advisor, on behalf of the Province, will work together in good faith to resolve any differences arising from comments made by the Financial Advisor on the Draft Schedule, and when the contents of the Draft Schedule have been agreed by the Corporation and the Financial Advisor, those agreed contents shall be inserted as Schedule 3.3(b) to the Shareholders Agreement. The Corporation and the Financial Advisor will each work diligently so that this process may be completed prior to the Effective Date.]

SCHEDULE 4.12(A)
CERTAIN SPECIAL MAJORITY MATTERS

- (a) Any amendment of the articles of the Corporation or the By-Laws.
- (b) Any material change in the nature of the business of the Corporation.

SCHEDULE 4.12(B)
SPECIAL MAJORITY MATTERS (INDEPENDENT DIRECTORS)

- (a) Any amendment of the articles of the Corporation or the By-Laws.
- (b) The price and other terms of any First Preferred Debentures to be issued by the Corporation.
- (c) Any material change in the nature of the business of the Corporation.
- (d) Any transaction with one or more (but less than all) Shareholders or other related parties.
- (e) The provision of confidential information of the Corporation to shareholders (whether directly or by Directors), except to the extent contemplated by Section 4.17(b).
- (f) Any potential future distributions to Shareholders, including any redemption or early repayment of First Preferred Debentures or Second Equity Shares and any dividends declared by the Board on the First Equity Shares.
- (g) Any change in the number of Directors.
- (h) Delegation of Board powers to any Committee.
- (i) Any policies to the extent relating to the Key Principles as reflected in the New Beer Agreements, including policies in relation to corporate donations by the Corporation to political parties, other than ordinary course operational policies; provided however, that in respect of the policies of the Corporation adopted by the Board on ●, 2015 only changes to such policies must be so approved.
- (j) Any matter that would result in any class of Brewer being treated differently (other than as contemplated by the New Beer Agreements), including with respect to product categorization.
- (k) Any sale of any material assets of the Corporation not provided for in an Annual Budget or Annual Business Plan.
- (l) Any Transfer of Shares other than (A) as expressly permitted by this Agreement or (B) for greater clarity, one resulting from a merger, acquisition or other similar transaction involving a Shareholder.
- (m) Any changes to the user agreement with Brewers selling Beer Through the Corporation.
- (n) The appointment from time to time of the Beer Ombudsman.

- (o) Any amendment of any of the New Beer Agreements or any other documents to the extent that they embody any of the Key Principles.
- (p) The sale of all or substantially all of the assets of the Corporation.
- (q) Each Annual Budget, Annual Business Plan and capital spending budget, and any material variation from any such approved budget or plan, including the resulting Rate Sheet. If the majority of the Independent Directors does not provide such approval of any Annual Budget following the first Annual Budget approved by the new Board, the prior year's approved Annual Budget will continue with adjustments necessary to reflect changes in costs over which management of the Corporation cannot exercise control.
- (r) The approval requirements of the majority of Independent Directors then in office under Sections 4.8(a), 4.9(c) and (d), 4.13, 8.10 and paragraph (c)(ii) of Schedule 6.2(c).
- (s) Any changes to the Board Mandate and any Committee Mandates that were approved by the Board on ●, 2015.

SCHEDULE 6.2(c)

- (a) The Corporation shall allocate merchandising, marketing, promotions and shelf space for Small Brewers based on each Small Brewer's Adjusted Local Market Share multiplied by a Small Brewer Index Factor.
 - (i) **"Local Market Share"** means a Brewer's share of all Qualifying Sales in a particular Zone.
 - (ii) **"Zones"** means the geographic subdivisions into which Ontario is divided, as established by the Corporation for the administration of the provisions of Section 6.2 of the Agreement and this Schedule 6.2(c), and **"Zone"** means any one of those geographic subdivisions.
 - (iii) **"Adjusted Local Market Share"** means a Brewer's Local Market Share meaningfully adjusted for the growth or decline of such Brewer's brands such that the combined Adjusted Local Market Shares of all Brewers expressed as a percentage always equals 100%.
 - (iv) The **"Small Brewer Index Factor"** shall be equal to the Minimum Small Brewer Allocation in a particular Zone divided by the combined Adjusted Local Market Shares of all Small Brewers in a particular Zone, where the **"Minimum Small Brewer Allocation"** is equal to 20%. For example, if the combined Adjusted Local Market Shares of all Small Brewers is 10% in a particular Zone, the Small Brewer Index Factor for that particular Zone would be 2 (20% divided by 10%). The Small Brewer Index Factor for any Zone cannot have a value less than 1. For clarity, if the combined Adjusted Local Market Shares of all Small Brewers in a particular Zone is less than 20% (i.e., the Small Brewer Index Factor has a value of more than 1), the Corporation will allocate the merchandising, marketing, promotions and shelf space in that Zone to Small Brewers based on each Small Brewer's Adjusted Local Market Share multiplied by the Small Brewer Index Factor for that Zone. If the combined Adjusted Local Market Shares of all Small Brewers in a particular Zone is greater than 20% (i.e., the Small Brewer Index Factor has a value of less than 1), the Corporation will allocate merchandising, marketing, promotions and shelf space in that Zone to Small Brewers based on each Small Brewer's Adjusted Local Market Share.
 - (v) A Small Brewer's allocation of merchandising, shelf space, marketing and promotions in a particular Zone pursuant to the foregoing (its **"Allocation"**) shall not exceed 5%, unless that Small Brewer's Adjusted Local Market Share in such Zone is greater than 5%, in which case that Small Brewer shall receive an Allocation in such Zone equal to its Adjusted Local Market Share, which, for clarity, shall not be multiplied by the Small Brewer Index Factor.

- (vi) If pursuant to clause (v), the Allocation of one or more Small Brewers is capped at 5% or is equal to its Adjusted Local Market Share in any Zone, then the additional Allocations that those Small Brewers would have received had their Allocations not been capped at 5% or had their Adjusted Local Market Shares been multiplied by the Small Brewer Index Factor shall be added to the Allocations of other Small Brewers in that particular Zone proportionate to their Allocations in such Zone subject to clause (v).
- (b) The Corporation shall allocate remaining merchandising, shelf space, marketing and promotions for Brewers who are not Small Brewers (“**Large Brewers**”) in each Zone, based on each Large Brewer’s Adjusted Local Market Share.
- (c) The Board may from time to time modify (and shall review and reconsider, as contemplated by Section 4.13 of the Agreement) the merchandising, marketing, promotions and shelf space programs contemplated by this Schedule 6.2(c) and the method of determining Allocations as specified in this Schedule 6.2(c) provided that any such modifications must be:
 - (i) consistent with the spirit and intent of this Schedule 6.2(c) and the New Beer Agreements; and
 - (ii) approved by the majority of the Independent Directors.

SCHEDULE 8.2 ARBITRATION PROCEDURES

1. Definitions and Interpretation

- (a) **Definitions** – Unless otherwise defined in this Schedule, all terms defined in the Agreement which are used in this Schedule have the same meaning as provided for those terms in the Agreement. Where used in this Schedule, unless the context or subject matter otherwise requires, the following words and phrases shall have the meaning set forth below:

“**Act**” means the *Arbitration Act, 1991* (Ontario) or the *International Commercial Arbitration Act* (Ontario), as applicable.

“**Approved Arbitrator**” means a retired judge of the Supreme Court of Canada, Ontario Superior Court or Court of Appeal or a senior qualified lawyer who is impartial and independent of the Parties.

“**Arbitration Tribunal**” means the arbitrator appointed pursuant to Section 2 of this Schedule.

“**Court**” means the Ontario Superior Court of Justice.

“**Dispute**” means any matter which a Party, in accordance with the Agreement, submits to arbitration in accordance with the terms of this Schedule.

“**Procedures**” means the arbitration procedures described in this Schedule.

“**Schedule**” means this schedule of arbitration procedures.

- (b) **Governing Law and Jurisdiction** – The seat of the arbitration shall be Toronto, Ontario and all Disputes referred to arbitration (including the scope of the agreement to arbitrate, the law relating to the enforcement of the agreement to arbitrate, any relevant limitation periods, the law governing the procedure of the arbitration, the law relating to available remedies, set-off claims, conflict of laws rules and claims to costs and interest) shall be governed by the laws of the Province of Ontario.
- (c) **Time** – In the computation of time under the Procedures or an order or direction given by the Arbitration Tribunal pursuant to this Schedule, except where a contrary intention appears or the Parties otherwise agree:
- (i) where there is a reference to a number of days between two events, those days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, even if they are described as clear days or the words “at least” are used;
 - (ii) where the time for doing any act under this Schedule or any order or direction given by the Arbitration Tribunal expires on a day which is not a

Business Day, the act may be done on the next day that is not a Business Day; and

- (iii) delivery of a document or notice provided for in this Schedule or any order or direction given by the Arbitration Tribunal made after 5:00 p.m. (Toronto time) or at any time on a day which is not a Business Day, shall be deemed to have been made on the next Business Day.

2. **Commencement of Arbitration**

- (a) Any Party (or Parties) (collectively, the “**Claimant**”) may commence arbitration of a Dispute by delivering a written notice (a “**Notice of Arbitration**”) to the Party (or Parties) against whom the Claimant seeks a remedy (collectively, the “**Respondent**”). Where a Dispute arises which involves more than one Respondent, the Claimant may commence arbitration of the Dispute by delivering a Notice of Arbitration to each Party that is a Respondent. Where the Notice of Arbitration alleges breach of this Agreement by the Corporation or an Original Owner, the Province shall be provided with a copy of such Notice of Arbitration by the Corporation or the Original Owner within 10 days of receipt of the Notice of Arbitration.
- (b) In the Notice of Arbitration, the Claimant shall describe the substance of the Dispute and name three individuals whom the Claimant is prepared to appoint as arbitrator, each of such individuals to be an Approved Arbitrator.
 - (i) Within 10 days of receipt of the Notice of Arbitration, the Respondent shall by Notice to the Claimant agree to the appointment of one of the three individuals named by the Claimant or provide the Claimant with a list of three other individuals who are Approved Arbitrators.
 - (ii) Within 10 days of receipt of the Respondent’s list, by Notice to the Respondent, the Claimant shall agree to the appointment of one of such individuals, or provide a further list of three Approved Arbitrators. The Parties shall continue to exchange lists of three Approved Arbitrators in this fashion until the Arbitration Tribunal is appointed.
 - (iii) If the Arbitration Tribunal is not appointed within 30 days of the initial receipt by the Respondent of the Notice of Arbitration, either Dispute Party may provide copies of the exchanged lists to the Independent Directors, who shall appoint the Arbitration Tribunal by majority vote.
- (c) Where any Party is a party to two or more pending arbitrations in relation to the same Dispute, such Party may apply to the Court for the consolidation of such arbitrations and other Parties to such arbitrations shall agree to the consolidation on such terms as the Court shall consider just.

3. **Arbitration Procedures** – The following procedures shall apply to the arbitration of any Dispute, except as the Parties may otherwise agree or as the Arbitration Tribunal otherwise directs:

- (a) Within 20 days of the appointment of the Arbitration Tribunal, the Claimant shall deliver to the Respondent and the Arbitration Tribunal a written statement (the “**Complaint**”) concerning the Dispute setting forth, with particularity, the full names, descriptions and addresses of the Parties, the nature of the Complaint, the allegations of fact supporting the Dispute submitted for arbitration and the relief or remedy sought.
- (b) Within 30 days after the delivery of the Complaint, the Respondent shall deliver to the Claimant and the Arbitration Tribunal a written response (the “**Answer**”) to the Complaint setting forth, with particularity, its position on the Dispute and the allegations of fact supporting the Answer.
- (c) If the Respondent fails to deliver an Answer within the time limit referred to in Section 3(b), the Respondent shall, subject to Section 3(f), be deemed to have admitted the allegations of fact alleged in the Complaint and have accepted the Claimant’s entitlement to the relief and remedy set out in the Complaint.
- (d) Within 10 days after the delivery of any Answer, the Claimant may deliver to the Respondent and the Arbitration Tribunal a written reply to that Answer, setting forth, with particularity, its response, if any, to the Answer.
- (e) If the Respondent wants to submit any other Dispute to the Arbitration Tribunal it may, within the time provided for the delivery of the Answer to the Complaint, also deliver to the Claimant and the Arbitration Tribunal a counter-complaint (the “**Countercomplaint**”) setting forth, with particularity, the nature of the Countercomplaint, the allegations of fact supporting the Countercomplaint and the relief or remedy sought, for the Arbitration Tribunal to decide. Within 20 days of the delivery of a Countercomplaint, the Claimant shall deliver to the Respondent making a Countercomplaint and the Arbitration Tribunal a written response to such Countercomplaint (the “**Response to Countercomplaint**”) setting forth, with particularity, its position on the Countercomplaint and the allegations of fact supporting the Response to Countercomplaint. If the Claimant fails to deliver a Response to Countercomplaint within such 20 day period, the Claimant shall be deemed, subject to Section 3(f), to have admitted the allegations of fact alleged in the Countercomplaint, and have accepted the Respondent’s entitlement to the relief and remedy set out in the Countercomplaint. Within 10 days after the delivery of a Response to Countercomplaint, the Respondent may deliver to the Claimant and the Arbitration Tribunal a written reply to such Response to Countercomplaint setting forth, with particularity, its response to such Response to Countercomplaint. Any Dispute submitted to arbitration in accordance with this Section 3(e) shall be governed by, and dealt with as if it were the subject of a Notice of Arbitration, that shall be determined by the same Arbitration Tribunal as part of the same arbitration proceeding as the Notice of Arbitration.
- (f) The time limits set for the delivery of the documents referred to in Sections 3(a) to 3(e) inclusive may be extended by agreement of the Parties or by the Arbitration Tribunal for such period, on such terms, and for such reasons as the Arbitration Tribunal may determine upon application made to the Arbitration Tribunal in writing by either the Claimant or the Respondent on Notice to the

other, with such application being made either before the expiry of the time limit in issue or within two days after such expiry, and the Arbitration Tribunal may relieve the applying Dispute Party of the consequences of its failure to comply with the time limit in issue, provided, however, that the other Dispute Party shall be given an opportunity to make submissions on the application.

- (g) Within 20 days following the completion of the steps set out in Sections 3(a) to 3(e) of this Schedule, a Dispute Party may, upon Notice to the other Dispute Party and to the Arbitration Tribunal, request the Arbitration Tribunal to give directions and make any order which is, in the discretion of the Arbitration Tribunal, reasonable regarding any procedural matters which properly should be resolved before the arbitration proceeds further, including the amendment of any pleadings, the provision of particulars, the production of documents and the need for examinations for discovery in connection with the arbitration, either by way of oral examination or written interrogatories, and a determination as to the manner in which evidence shall be presented to the Arbitration Tribunal (by way of agreed statement of facts, sworn evidence and transcripts of cross-examinations on such sworn evidence or viva voce, or some combination thereof). In making any order or giving any direction in respect of any procedural matter the Arbitration Tribunal may impose such terms as are reasonable in order to ensure the completion of the arbitration in a timely manner. The Notice requesting any direction or order pursuant to this subsection shall state the direction or order sought and set out the reasons for seeking such direction or order. Nothing in this Section shall be taken to limit the jurisdiction of the Arbitration Tribunal to deal with procedural matters in accordance with the Act.
- (h) If no Dispute Party has requested directions in accordance with Section 3(g), the Arbitration Tribunal shall give directions regarding the further procedural steps in the arbitration, including any production of documents, any examinations for discovery, and the nature of any hearing (“**Hearing**”). In making any order or giving any direction in respect of any procedural matter the Arbitration Tribunal may impose such terms as are reasonable in order to ensure the completion of the arbitration in a timely manner. Each of the Parties shall have an opportunity to make oral submissions to the Arbitration Tribunal in respect of such procedural steps.
- (i) Unless the time for making an award is extended by agreement of the Parties or by court order, the Arbitration Tribunal shall make an award within 60 days after completion of any Hearing or other final procedural step in which evidence or argument are provided to the Arbitration Tribunal. The award shall be in writing and shall state the reasons on which it is based. Executed copies of all awards shall be delivered by the Arbitration Tribunal to each Dispute Party as soon as is reasonably possible.

- 4. **Agreement to be Bound** – No individual shall be appointed to the Arbitration Tribunal unless he or she agrees in writing to be bound by all provisions of this Schedule.

5. **Arbitration Tribunal Discretion** – Subject to the Act, the Agreement and this Schedule, the Arbitration Tribunal may conduct the arbitration in such manner as the Arbitration Tribunal considers appropriate.
6. **Interim Relief** – At the request of any Dispute Party to the arbitration, the Arbitration Tribunal may take such interim measures as the Arbitration Tribunal considers necessary in respect of the Dispute, including measures for the preservation of assets, the conservation of goods or the sale of perishable goods. The Arbitration Tribunal may require security for the costs of such measures.
7. **Remedies** – The Arbitration Tribunal may make final, interim, interlocutory and partial awards. An award may grant any remedy or relief which the Arbitration Tribunal considers just and equitable. The Arbitration Tribunal shall state in the award whether or not the Arbitration Tribunal views the award as final or interim, for purposes of any judicial proceedings in connection with such award.
8. **Experts** – The Arbitration Tribunal shall not, without the written consent of the Parties to the arbitration, appoint any expert or other consultant or retain any counsel to advise him or her.
9. **Appeal** – The award of the Arbitration Tribunal shall be final and binding on the Parties to the arbitration, and shall not be subject to any appeal to court, even on questions of law. An appeal on any question of fact, law or mixed fact and law may be made to an appeal arbitration tribunal composed of three arbitrators (the “**Appeal Arbitration Tribunal**”), who shall be chosen through the process set out in paragraph 2 of this Schedule. The procedures to be applied by the Appeal Arbitration Tribunal shall be determined by that tribunal as it considers appropriate. The award of the Appeal Arbitration Tribunal shall be final and binding and shall not be subject to any appeal to court or to any other arbitrator, even on questions of law. The Appeal Arbitration Tribunal may grant interim relief. The Appeal Arbitration Tribunal may dismiss the appeal, or give the award that it finds the Arbitration Tribunal should have given.
10. **Costs of Arbitration** – The fees and expenses of the Arbitration Tribunal and any Appeal Arbitration Tribunal and costs of the arbitration facilities shall be periodically billed to and paid in equal proportions by the Parties to the arbitration as the Arbitration proceeds. The Arbitration Tribunal and any Appeal Arbitration Tribunal shall have the power to award costs, including the fees and expenses of the Arbitration Tribunal and costs of the arbitration facilities, the fees and expenses of the Beer Ombudsman in connection with any mediation of the same Dispute and costs of the mediation facilities, and the legal fees of an opposing Dispute Party in the mediation and the arbitration upon hearing submissions by any Dispute Party requesting same, and any responding submissions from the other Dispute Party. All of these costs shall be awarded to the successful party on a full indemnity basis, as such term or equivalent amended term is used in the *Rules of Civil Procedure*.
11. **Interest** – The Arbitration Tribunal shall award pre- and post-judgment interest on any damages awarded to the successful party in accordance with the *Courts of Justice Act* (Ontario).

12. **Notices** – All Notices and all other documents required or permitted by this Schedule to be given by any Dispute Party to the arbitration to the other shall be given in accordance with Section 8.8 of the Agreement. All Notices and all other documents required or permitted by this Schedule to be given by any Dispute Party to the arbitration to the Arbitration Tribunal shall be given in accordance with the Arbitration Tribunal's instructions.
13. **Confidentiality** – The existence of the arbitration and any element of the arbitration (including an appeal) shall be confidential. Confidential information regarding the property, business or affairs of any Dispute Party that is disclosed during the arbitration shall be kept confidential by the Arbitration Tribunal, any Appeal Arbitration Tribunal and all other Dispute Parties.

EXHIBIT E
TERMINATION AGREEMENT

TERMINATION AGREEMENT

●, 2015

BREWERS RETAIL INC.

AND

LIQUOR CONTROL BOARD OF ONTARIO

TERMINATION AGREEMENT

THIS AGREEMENT is made as of ●, 2015.

BETWEEN:

BREWERS RETAIL INC. o/a THE BEER STORE, a corporation governed by the laws of Ontario (the “**Corporation**”)

- and -

LIQUOR CONTROL BOARD OF ONTARIO (the “**LCBO**”)

RECITALS:

- A. On June 1, 2000, the Corporation and the LCBO, pursuant to the direction, authorization and agreement of Her Majesty the Queen in right of Ontario (the “**Province**”), entered into an agreement entitled “Serving Ontario Beer Consumers: A Framework for Improved Co-operation and Planning”, by which the LCBO regulates and controls various aspects of the sale of Beer in Ontario (the “**2000 Framework Agreement**”).
- B. In 2014, the Premier’s Advisory Council on Government Assets (the “**Council**”) was charged by the Premier of Ontario to review certain assets of the Province and recommend ways to maximize their value to the people of Ontario.
- C. Prior to the subscription by other qualifying brewers for shares in the Corporation, Labatt, Molson and Sleeman (the “**Original Owners**”) owned all of the issued and outstanding shares in the capital of the Corporation.
- D. The Council made certain recommendations on April 16, 2015 to the Province to make changes to the regulation and control of Beer in Ontario, including to the retail and distribution system for Beer, following a negotiation with the Corporation and the Original Owners, at the direction and authorization of the Province, that resulted in the Council, the Corporation and the Original Owners entering into a non-binding statement of principles entitled “Modernizing the Distribution of Beer in Ontario: Framework of Key Principles” (the “**Key Principles**”), which was accepted by the Province. The Key Principles were set out in an attachment to the Council’s report entitled “Striking the Right Balance: Modernizing Beer Retailing and Distribution in Ontario”.
- E. The Corporation, the Original Owners and the Province have entered into a Master Framework Agreement (the “**Master Framework Agreement**”) to record their agreement as to the manner in which the Key Principles shall be implemented with the direction, authorization and agreement of the Province.
- F. The Parties have entered into this Agreement as contemplated by the Master Framework Agreement to record their agreement to terminate the 2000 Framework Agreement. The LCBO has done so with the authority and at the direction of the Province.

THEREFORE, the Parties agree as follows:

NOW THEREFORE, in consideration of their respective agreements set out below and as contemplated by the Master Framework Agreement, the Parties covenant and agree as follows:

1.1 The Parties acknowledge and agree that the 2000 Framework Agreement is hereby terminated immediately. Any rights, obligations, responsibilities or duties that exist independent of the 2000 Framework Agreement are not affected by this termination.

1.2 Notwithstanding article 1.1, all payments, taxes or entitlement to reimbursement thereof that accrued under the 2000 Framework Agreement up to (but not after) the date of this Agreement shall remain payable despite the termination of the 2000 Framework Agreement.

1.3 The Parties acknowledge and agree that the termination of the 2000 Framework Agreement does not constitute expropriation. Subject to article 1.2 hereof, the Parties release each other from any remedy in contract, restitution, tort or trust that is available in connection with the termination of the 2000 Framework Agreement.

1.4 The Parties acknowledge and agree that if any of them were to commence any proceedings in contract, restitution, tort or trust in connection with the termination of the 2000 Framework Agreement or for an equitable remedy in connection with that termination, this Agreement may be raised as an estoppel to any such claims in the proceedings. In the event that a Party commences any such proceedings, that Party undertakes and agrees to indemnify the opposite Party in respect of any costs, including legal fees, incurred in relation to such claims.

1.5 For clarification, articles 1.3 and 1.4 hereof do not release any right or claim of the Parties to contribution or indemnity or a claim over against each other, if a third party makes a claim in connection with the termination of the 2000 Framework Agreement or this Termination Agreement.

1.6 If any term or condition of this Agreement, or the application thereof to the Parties or to any persons or circumstances, is to any extent invalid or unenforceable, the remainder of this Agreement, and the application of such term or condition to the Parties, persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby.

1.7 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

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IN WITNESS WHEREOF the Parties have executed this Termination Agreement as of the date first above written.

BREWERS RETAIL INC.

Signature: _____

Name:

Title:

I have authority to bind the corporation.

LIQUOR CONTROL BOARD OF ONTARIO

Signature: _____

Name:

Title:

I have authority to bind the LCBO.

SCHEDULE 1.1
EXISTING COMBINATION STORE LOCATIONS

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
1.	67	3	1	316 BROADWAY STREET	P.O. BOX 682	HAILEYBURY	P0J1K0
2.	76	3	1	28 SILVER STREET	P.O. BOX 639	COBALT	P0J1C0
3.	92	3	1	65 FOURTH AVENUE	P.O. BOX 160	ENGLEHART	P0J1H0
4.	96	20	2	78 ST. GEORGE STREET	P.O. BOX 278	DESERONTO	K0K1X0
5.	104	16	1	163 MAIN STREET	BOX 8	THESSALON	P0R1L0
6.	105	20	2	714 ADDINGTON STREET EAST	P.O. BOX 100	TAMWORTH	K0K3G0
7.	107	25	4	440 MAIN STREET WEST	P.O. BOX 58	PALMERSTON	N0G2P0
8.	114	19	1	318 ATWOOD AVENUE	P.O. BOX 175	RAINY RIVER	P0W1L0
9.	118	2	1	12 HANNA STREET	P.O. BOX 968	CAPREOL	P0M1H0
10.	119	9	2	205 ELGIN STREET	BOX 190	MERRICKVILL E	K0G1N0
11.	120	4	4	1109 WESTSHORE ROAD		PELEE ISLAND	N0R1M0
12.	121	10	2	3926 CHAMPLAIN STREET	P.O. BOX 39	BOURGET	K0A1E0
13.	123	10	2	16 MOLAN STREET		LANCASTER	K0C1N0
14.	124	7	4	20 QUEEN STREET	P.O. BOX 910	NIAGARA-ON- THE-LAKE	L0S1J0
15.	134	3	1	38 GOVERNMENT ROAD	P.O. BOX 99	LARDER LAKE	P0K1L0
16.	157	16	1	1 DAWSON STREET	P.O. BOX 223	GORE BAY	P0P1H0
17.	160	7	4	1 TALBOT STREET WEST		CAYUGA	N0A1E0
18.	161	4	4	188 LINDSLEY STREET WEST	P.O. BOX 638	DRESDEN	N0P1M0
19.	162	3	1	423 HWY. 11	P.O. BOX 69	MATHESON	P0K1N0
20.	173	16	1	7 SIMCOE PLAZA	P.O. BOX 340	TERRACE BAY	P0T2W0
21.	180	3	1	222 MAIN STREET	P.O. BOX 60	BEARDMORE	P0T1G0
22.	189	3	1	138 HIGHWAY 11 EAST	P.O. BOX 10	SMOOTH ROCK FALLS	P0L2B0
23.	204	3	1	36 FIFTH AVENUE	P.O. BOX 369	HORNEPAYNE	P0M1Z0

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
24.	213	4	4	234 MARY STREET		DUTTON	N0L1J0
25.	220	16	1	66 HURON WALK	P.O. BOX 250	MANITOUWADGE	P0T2C0
26.	230	19	1	202 10TH STREET	P.O. BOX 79	KEEWATIN	P0X1C0
27.	232	24	1	10 COMMERCIAL DRIVE	P.O. BOX 9	BURK'S FALLS	P0A1C0
28.	241	3	1	3 WILDFLOWER AVENUE	P.O. BOX 117	TEMAGAMI	P0H2H0
29.	245	3	1	116 FORESTRY ROAD	P.O. BOX 358	LONGLAC	P0T2A0
30.	251	24	1	426 HIGH STREET	P.O. BOX 129	MACTIER	P0C1H0
31.	254	8	2	4 CENTRE STREET	P.O. BOX 268	MILLBROOK	L0A1G0
32.	256	16	1	250 IMPERIAL STREET S.	P.O. BOX 519	MASSEY	P0P1P0
33.	257	19	1	HWY. 71	P.O. BOX 120	SIOUX NARROWS	P0X1N0
34.	258	16	1	13 SPRAGGE & QUEEN STREET	P.O. BOX 99	MANITOWANING	P0P1N0
35.	262	9	2	17 PLAZA DRIVE	P.O. BOX 158	IROQUOIS	K0E1K0
36.	264	5	4	196 MAIN STREET	P.O. BOX 239	LUCAN	N0M2J0
37.	267	15	1	12 ELIZABETH ST. E.		CREEMORE	L0M1G0
38.	272	16	1	204 ELGIN STREET	P.O. 190	WHITE RIVER	P0M3G0
39.	273	5	4	50 MAIN STREET NORTH	P.O. BOX 658	SEAFORTH	N0K1W0
40.	274	5	4	11 MAIN STREET	P.O. BOX 88	ZURICH	N0M2T0
41.	280	3	1	55 FIRST STREET	P.O. BOX 99	ELK LAKE	P0J1G0
42.	281	8	2	4 KING STREET	P.O. BOX 29	OMEMEE	K0L2W0
43.	283	15	1	23 BROCK STREET	P.O. BOX 100	TOBERMORY	N0H2R0
44.	284	15	1	115 FIRST AVENUE NORTH	P.O. BOX 428	CHESLEY	N0G1L0
45.	285	19	1	HWY. 11	P.O. BOX 178	EMO	P0W1E0
46.	290	24	1	14 WILSON LAKE CRES.	PO BOX 80	PORT LORING	P0H1Y0
47.	291	19	1	300 MAIN ST, IGNACE SHOPPING CENTER	PO BOX 360	IGNACE	P0T1T0
48.	292	19	1	16 SPRUCE STREET	PO BOX 190	EAR FALLS	P0V1T0

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
49.	293	6	4	151 CATHERINE STREET WEST	P.O. BOX 428	ARTHUR	N0G1A0
50.	294	4	4	228 CURRIE STREET	P.O. BOX 336	GLENCOE	N0L1M0
51.	296	25	4	69 MAIN STREET SOUTH	P.O. BOX 389	MILVERTON	N0K1M0
52.	299	7	4	37 ST. JAMES STREET		WATERFORD	N0E1Y0
53.	303	10	2	150 QUEEN STREET		CHESTERVILLE	K0C1H0
54.	304	9	2	623 HWY. 2, CARDINAL VILLAGE SQUARE	P.O. BOX 449	CARDINAL	K0E1E0
55.	307	8	2	4094 HIGHWAY 121	P.O. BOX 9	KINMOUNT	K0M2A0
56.	308	10	2	2538 ST. ISIDORE STREET	P.O. BOX 8	ST. ISIDORE	K0C2B0
57.	309	10	2	3 MAIN STREET	BOX 149	MAXVILLE	K0C1T0
58.	314	26	2	161 QUEEN STREET	P.O. BOX 40	KILLALOE	K0J2A0
59.	315	19	1	HWY. 17 & 142 TOWER ROAD		VERMILION BAY	P0V2V0
60.	316	20	2	19 MAIN STREET EAST	P.O. BOX 249	ATHENS	K0E1B0
61.	318	8	2	3 BURLEIGH STREET	P.O. BOX 337	APSLEY	K0L1A0
62.	319	8	2	16 HAY CREEK ROAD	P.O. BOX 112	WHITNEY	K0J2M0
63.	323	2	1	HWY. 69	P.O. BOX 8	POINTE AU BARIL	P0G1K0
64.	328	5	4	538 HURON STREET	P.O. BOX 280	WATFORD	N0M2S0
65.	330	5	4	325 BRIDGE STREET		PORT STANLEY	N5L1C5
66.	332	3	1	112 QUEBEC STREET	P.O. BOX 120	NAKINA	P0T2H0
67.	335	19	1	4793 HWY 11/17	PO BOX 100	KAKABEKA FALLS	P0T1W0
68.	336	24	1	86 MAIN STREET	P.O. BOX 28	KEARNEY	P0A1M0
69.	337	4	4	42 THOMPSON STREET	P.O. BOX 250	COURTRIGHT	N0N1H0
70.	338	3	1	30 YOUNG STREET	P.O. BOX 158	FOLEYET	P0M1T0
71.	347	24	1	1145 HIGHWAY 141	P.O. BOX 100	ROSSEAU	P0C1J0
72.	349	10	2	23 MILL STREET	PO BOX 959	VANKLEEK HILL	K0B1R0
73.	352	20	2	131 PERTH STREET	P.O. BOX 69	ELGIN	K0G1E0

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
74.	364	20	2	14 KING DRIVE NORTH	P.O. BOX 399	FRANKFORD	K0K2C0
75.	369	25	4	2 QUEEN STREET SOUTH	P.O. BOX 550	HARRISTON	N0G1Z0
76.	372	4	4	676 HIGHWAY #3 EAST		WHEATLEY	N0P2P0
77.	374	5	4	264 MAIN STREET	P.O. BOX 518	PARKHILL	N0M2K0
78.	375	10	2	240 OLD HWY. 17	P.O. BOX 246	PLANTAGENET	K0B1L0
79.	376	19	1	HIGHWAY 17 & ROCKY RIDGE ROAD	C/O 546 PARK STREET	KENORA	P9N1A1
80.	379	19	1	18 KOVAL STREET	P.O. BOX 467	PICKLE LAKE	P0V3A0
81.	380	20	2	9 TORONTO ROAD, HWY 2	P.O. BOX 640	COLBORNE	K0K1S0
82.	399	24	1	1059 MAIN STREET	P.O. BOX 118	DORSET	P0A1E0
83.	403	24	1	115 MEDORA STREET	P O BOX 70	PORT CARLING	P0B1J0
84.	409	2	1	17 CHANNEL STREET		KILLARNEY	P0M2A0
85.	413	7	4	30 ROBINSON STREET	P.O. BOX 160	PORT BURWELL	N0J1T0
86.	414	20	2	125 NORTH STREET	P.O. BOX 250	STIRLING	K0K3E0
87.	421	16	1	9226 TAYLOR STREET	PO BOX 178, ROBINSON & HWY 17 EAST	BRUCE MINES	P0R1C0
88.	423	20	2	992 PRINCE STREET	P.O. BOX 100	LANSDOWNE	K0E1L0
89.	424	3	1	35 FIRST STREET	P.O. BOX 310	MOOSONEE	P0L1Y0
90.	429	25	4	29 PARK AVENUE	P.O. BOX 70	BURFORD	N0E1A0
91.	433	26	2	703 MILL STREET	P.O. BOX 35	CALABOGIE	K0J1H0
92.	435	10	2	33 LONG SAULT DRIVE, LONG SAULT SC	P.O. BOX 130	LONG SAULT	K0C1P0
93.	439	9	2	34 COLBOURNE STREET	P.O. BOX 26	PORTLAND	K0G1V0
94.	440	25	4	566 WILLOUGHBY STREET	P.O. BOX 310	LUCKNOW	N0G2H0
95.	441	10	2	644 PRINCIPALE STREET	P.O. BOX 305	CASSELMAN	K0A1M0
96.	442	26	2	22 TRUELOVE ST.	P.O. BOX 249	COBDEN	K0J1K0
97.	447	8	2	2763 ESSONVILLE ROAD	P.O. BOX 149	WILBERFORCE	K0L3C0

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
98.	448	2	1	2669 MUSKOKA RD. 5	P.O. BOX 69	HONEY HARBOUR	P0E1E0
99.	449	20	2	462 MAIN STREET	P.O. BOX 248	WELLINGTON	K0K3L0
100.	450	15	1	77220 HWY 10	P.O. BOX 400	DUNDALK	N0C1B0
101.	451	16	1	1198 RICHARD STREET	P.O. BOX 130	RICHARD'S LANDING	P0R1J0
102.	455	26	2	461 DONALD B MUNRO DRIVE	P.O. BOX 24	CARP	K0A1L0
103.	460	20	2	39 KING STREET	P.O. BOX 160	DELTA	K0E1G0
104.	463	3	1	275 KING STREET E	P.O. BOX 248	MATTICE	P0L1T0
105.	464	16	1	207 MANITOBA STREET	P.O. BOX 202	SCHREIBER	P0T2S0
106.	466	10	2	602 ST. PHILIPPE STREET	P.O. BOX 219	ALFRED	K0B1A0
107.	469	24	1	8409 COUNTY ROAD 169	P.O. BOX 130	WASHAGO	L0K2B0
108.	471	17	2	1002 PORTAGE ROAD		KIRKFIELD	K0M2B0
109.	472	20	2	44 CHURCH STREET	P.O. BOX 193	WARKWORTH	K0K3K0
110.	473	16	1	3040 HWY 17 NORTH		GOULAIS RIVER	P0S1E0
111.	476	26	2	22353 HIGHWAY 41		DENBIGH	K0H1L0
112.	478	8	2	33004 HWY. 62 NORTH	PO BOX 10	MAYNOOTH	K0L2S0
113.	479	26	2	99 CLARENCE STREET (& GEORGE)	P.O. BOX 220	LANARK	K0G1K0
114.	480	19	1	35 SECOND STREET	PO BOX 10	HUDSON	P0V1X0
115.	482	2	1	3238 PORT SEVERN ROAD	P.O. BOX 176	PORT SEVERN	L0K1S0
116.	487	16	1	1 JAMES STREET	P.O. BOX 250	IRON BRIDGE	P0R1H0
117.	488	2	1	8 KING STREET EAST	P.O. BOX 99	ST. CHARLES	P0M2W0
118.	489	17	2	34 BEAVER STREET		NEWCASTLE	L1B1H6
119.	492	24	1	5 MAIN STREET NORTH	P.O. BOX 269, CALLANDER CENTRE	CALLANDER	P0H1H0
120.	493	19	1	125 SALLS STREET	BOX 278	RED ROCK	P0T2P0
121.	496	9	2	6179 PERTH ST, RICHMOND PLAZA	UNIT 220	RICHMOND	K0A2Z0

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
122.	503	26	2	7423 HIGHWAY 506	PO BOX 111	PLEVNA	K0H2M0
123.	504	8	2	4246 HWY. # 7	BOX 298	NORWOOD	K0L2V0
124.	506	3	1	4 - 10TH AVENUE SOUTH	P.O. BOX 307	EARLTON	P0J1E0
125.	510	7	4	67 QUEEN STREET	P.O. BOX 69	LANGTON	N0E1G0
126.	514	24	1	12 BIDDY STREET	P.O. BOX 22	MAGNETAWAN	P0A1P0
127.	516	24	1	2461 MUSKOKA ROAD 117 EAST	P.O. BOX 171	BAYSVILLE	P0B1A0
128.	519	16	1	3213 HWY 17 B EAST	P.O. BOX 9	ECHO BAY	P0S1C0
129.	520	20	2	106 DRYNAN WAY, UNIT 10	BOX 30	SEELEY'S BAY	K0H2N0
130.	524	2	1	7260 HWY 535	GENERAL DELIVERY	HAGAR	P0M1X0
131.	530	25	4	82 HOPE STREET WEST	P.O. BOX 488	TAVISTOCK	N0B2R0
132.	535	8	2	8 CENTRE STREET	HWY 620, BOX 59	COE HILL	K0L1P0
133.	537	15	1	43 ARTHUR STREET	P.O. BOX 179	THORNBURY	N0H2P0
134.	541	25	4	575 TURNBERRY STREET	P.O. BOX 279	BRUSSELS	N0G1H0
135.	543	17	2	91 MILL STREET	P.O. BOX 369	ORONO	L0B1M0
136.	548	5	4	210 CAESAR ROAD	P.O. BOX 61	BELMONT	N0L1B0
137.	550	5	4	71 MAIN STREET SOUTH	HWY 21 & MILL ROAD	BAYFIELD	N0M1G0
138.	557	24	1	25846 HWY 35	PO BOX GROUP 14	DWIGHT	P0A1H0
139.	560	2	1	144 ALBERT STREET	P.O. BOX 119	VICTORIA HARBOUR	L0K2A0
140.	561	8	2	1976 LAKEHURST ROAD	GENERAL DELIVERY	BUCKHORN	K0L1J0
141.	562	17	2	25 CAMERON STREET EAST	P.O. BOX 449	CANNINGTON	L0E1E0
142.	565	16	1	4 GODERICH ROAD	P.O. BOX 340	SPANISH	P0P2A0
143.	567	4	4	99 INDUSTRIAL ROAD	P.O. BOX 188	THAMESVILLE	N0P2K0
144.	570	8	2	906 WATER STREET	P.O. BOX #94	WARSAW	K0L3A0
145.	574	24	1	234 YONGE STREET	P.O. BOX 76	BONFIELD	P0H1E0

	Store Number	District	Region	Address Line 1	Address Line 2	City	Postal Code
146.	577	3	1	33A HIGHWAY 11	P.O. BOX 112	MOONBEAM	P0L1V0
147.	578	10	2	578 MAIN STREET WEST	P.O. BOX 180	WINCHESTER	K0C2K0
148.	581	17	2	KING STREET SOUTH	P.O. BOX 129	BRECHIN	L0K1B0
149.	583	1	3	22 MAIN STREET SOUTH		GRAND VALLEY	L9W5V4
150.	588	24	1	10442 HWY. 17	BOX 340	VERNER	P0H2M0
151.	591	5	4	4475 LONDON LINE, REECES CORNERS	P.O. BOX 587 WYOMING	REECES CORNERS	N0N1T0
152.	594	8	2	5087 RICE LAKE DRIVE NORTH	BOX 507	BEWDLEY	K0L1E0
153.	595	24	1	7 CHURCH STREET	GENERAL DELIVERY	DUNCHURCH	P0A1G0
154.	596	17	2	17 HASTINGS ROAD		PEFFERLAW	L0E1N0
155.	597	26	2	35 LAPASSE ROAD		BEACHBURG	K0J1C0
156.	599	1	3	16000 AIRPORT ROAD		CALEDON	L7C1E8
157.	604	2	1	524 HWY 64	P.O. BOX 219	ALBAN	P0M1A0
158.	606	15	1	#1 FERNDAL ROAD,	P.O. BOX 130	LION'S HEAD	N0H1W0
159.	607	8	2	1007 GOODERHAM STREET	BOX #157, GERERAL DELIVERY	GOODERHAM	K0M1R0
160.	608	2	1	779 NEY AVENUE		PORT MCNICOLL	L0K1R0
161.	610	25	4	1 INDUSTRIAL ROAD, UNIT B	P.O. BOX 239	TEESWATER	N0G2S0
162.	611	17	2	646 DRUM ROAD	CANADA POST OFFICE BOX #250	PONTYPOOL	L0A1K0
163.	613	24	1	65 ONTARIO STREET, HIGHWAY 124	PO BOX 222	SUNDRIDGE	P0A1Z0
164.	615	15	1	277 QUEEN STREET NORTH	P.O. BOX 489	PAISLEY	N0G2N0
165.	621	25	4	1024 HIGHWAY #9	P.O. BOX 219	MILDMAY	N0G2J0
166.	622	5	4	24 LONDON ROAD	P.O. BOX 09	HENSALL	N0M1X0
167.	626	2	1	336 B RUE LAFONTAINE ROAD WEST	TINY	LAFONTAINE	L9M0H1

SCHEDULE 6.4 PILOT PROGRAM

The LCBO will initiate a Twelve-Pack pilot (the “**Pilot Program**”), prioritizing stores at least two kilometres from the Corporation’s stores. The Province shall ensure that the Pilot Program is implemented and executed in accordance with the following:

- (a) The Province will engage KPMG LLP (the “**Consultant**”) to conduct a study (the “**Twelve-Pack Study**”) utilizing the factors and methodology agreed upon to determine the impact of the Pilot Program on the Corporation, the Province and consumers. The Corporation shall provide to the Consultant on a timely basis the information in the possession of the Corporation that is required for the Twelve-Pack Study. The Province will require the LCBO to provide to the Consultant on a timely basis the information that is in the possession of the LCBO that is required for the Twelve-Pack Study. A joint working committee of representatives from the Consultant, the LCBO and the Executive Committee of the Corporation shall review the interim and final results of the Twelve-Pack Study and all participants shall have equal access to all data, analysis and findings.
- (b) The 10 LCBO stores (the “**Test Stores**”), as selected by the LCBO, that shall be included in the Pilot Program are set out in Appendix 1. A representative control group of retail stores of the LCBO and of the Corporation and retail stores of the Corporation reasonably expected to be impacted by the Pilot Program will be jointly selected by the LCBO and the Corporation and assessed by the Consultant.
- (c) The duration of the Pilot Program shall be a 12-month period commencing effective as of August 1, 2015.
- (d) The 12-pack assortment of brands, as selected by the LCBO, that will participate in the Pilot Program for its duration, subject to availability, are set out in Appendix 2.
- (e) If the Consultant determines following the completion of the Pilot Program that the expected impact of 60 LCBO stores carrying Twelve-Packs expressed in dollars per hectolitre and calculated as the sum of (A) the expected increase in the Corporation’s basic service fee for packaged Beer sold at retail due to volume decline at the Corporation as a result of the sale of Twelve-Packs at the LCBO, divided by all retail volume sold by the Corporation and (B) the differential in the LCBO’s cost of service charge, expressed as a per hectolitre rate, compared to the Corporation’s volume-weighted average basic service fee for packaged beer sold at retail, expressed as a per hectolitre rate, multiplied by the volume of Beer that is determined to be cannibalized from the Corporation and shifted to the LCBO as a result of the sale of Twelve-Packs at the LCBO, divided by the sum of all retail Beer volume sold through the Corporation and all retail Beer volume sold through the LCBO, is:

- (i) Less than one dollar per hectolitre, then the LCBO shall be entitled to sell Twelve-Packs in as many as 60 LCBO stores that are not Combination Stores and the Province shall provide the direction to the LCBO provided for in Section 6.4(b) of the Agreement; and
- (ii) Equal to or greater than one dollar per hectolitre, then Section 6.4(a) shall apply without reference to Section 6.4(b) of the Agreement and, for clarity, the Pilot Program shall be at an end and the LCBO shall cease selling Twelve-Packs in the Test Stores.
- (f) The Twelve-Pack Study will include an evaluation of the impact of the Pilot Program on the volume of wine and spirits sold through the LCBO and the propensity for LCBO consumers to purchase Twelve-Packs, but neither impact shall be used as evaluation criteria that determine whether the broader roll out to a total of 60 LCBO retail stores proceeds.
- (g) The Twelve-Pack Study will include an evaluation of the impact of the Pilot Program on the total volume of packaged Beer sold at retail through the LCBO and the Corporation, and if the Consultant determines that the Pilot Program has had a statistically significant positive effect on such total volume and this positive effect from the Pilot Program on such total volume is expected to continue pursuant to the broader roll out contemplated in Section 6.4(b) of this Agreement, the LCBO and the Corporation will consider in good faith the extent to which such volume increase may be used to adjust the criteria for success referred to in paragraph (e).
- (h) The Consultant will use the agreed upon statistically sound methods to conduct the Twelve-Pack Study.

Appendix 1

Test Stores

	LCBO Store Number	Test Store
1	263	Bowmanville
2	278	Tecumseh
3	279	Toronto-North York
4	499	Ottawa-Nepean
5	551	Burlington
6	617	Kitchener
7	555	Brampton
8	632	Woodbridge
9	386	Uxbridge
10	652	Sudbury

Appendix 2

12-Pack Assortment of Brands for the Pilot Program

	LCBO SKU	BRAND NAME
1	531392	Heineken
2	615674	Stella Artois
3	515643	Corona Extra
4	696898	Grolsch
5	637777	Steam Whistle
6	412635	Muskoka Survival Pack
7	228486	Labatt Blue
8	917799	Carling
9	906578	Coors Light
10	900118	Molson Canadian
11	902627	Budweiser

SCHEDULE 6.5
NEW PRIVATE RETAIL OUTLETS

- (a) For purposes of Schedule 6.5, Small Brewer is defined as follows:

“Small Brewer” means, in respect of a Sales Year, a Brewer that meets each of the following qualifications in respect of the prior Production Year:

- (i) it has worldwide production of Beer in the previous Production Year that was not more than 400,000 hectolitres or, if this is the first Production Year in which it manufactures Beer, worldwide production of Beer for the Production Year that is not expected to be more than 400,000 hectolitres;
- (ii) any Affiliate it has that manufactures Beer meets the qualifications set out in (i) above.

For purposes of this definition:

- (iii) the following will be included in determining the amount of a Small Brewer's worldwide production of Beer for a particular Production Year:
 - (A) all Beer manufactured during the Production Year by the Small Brewer, including Beer that is manufactured under contract for another Brewer, whether or not that other Brewer is a Small Brewer;
 - (B) all Beer manufactured during the Production Year by an Affiliate of the Small Brewer, including Beer manufactured by the Affiliate under contract for another Brewer, whether or not that other Brewer is a Small Brewer; and
 - (C) all Beer manufactured during the Production Year by another Brewer under contract for the Brewer or for an Affiliate of the Brewer.
 - (iv) A contract referred to in clause (iii) does not include a contract, agreement or arrangement that provides only for the final bottling or other packaging by a Brewer, including any incidental processes such as final filtration and final carbonation or the addition of any substance to the Beer that, if added, must be added at the time of final filtration.
- (b) New Outlets will be either Grocery Stores or Standalone Outlets. For the avoidance of doubt, none of the following shall be considered to be New Outlets:
- (i) existing or future LCBO stores;
 - (ii) existing or future stores operated by the Corporation;
 - (iii) existing or future LCBO agency stores;
 - (iv) existing or future on-site (primary or secondary) manufacturer retail stores;
 - (v) existing or future duty-free stores; and

- (vi) existing off-site Ontario winery retail stores (to the extent that they are not authorized to sell Beer).
- (c) The Province shall mandate that the aggregate annual Beer sales of all such operating New Outlets shall be subject to an annual cap, which if exceeded, will give rise to the payment of a Cost of Service Rebate as described below. The annual cap will be established as follows:
 - (i) from and after May 1, 2017, 1,012,500 hectolitres of Beer (which limit shall be increased or decreased by any percentage change in aggregate Beer sales in Ontario from the Effective Date, provided that such limit shall never be less than 1,012,500 hectolitres) (the “**Final Annual Volume Cap**”); or
 - (ii) from the Effective Date to April 30, 2017, an amount equal to 60% of the Final Annual Volume Cap (the “**Initial Annual Volume Cap**”)

(the Final Annual Volume Cap and the Initial Annual Volume Cap are each referred to as an “**Annual Volume Cap**”). The applicable Annual Volume Cap will be pro-rated for any applicable period that is less than one calendar year.

- (d) To the extent that the applicable Annual Volume Cap is exceeded in any calendar year, or in any period that is less than one calendar year, the Province shall, or shall cause the LCBO to, pay to Brewers selling Beer Through the Corporation, in proportion to their respective share of the total volume of Beer sold Through the Corporation during the same time period, a cost of service rebate determined in accordance with paragraph (e) (the “**Cost of Service Rebate**”), and such cash payment shall be made by the LCBO to each Brewer no later than the later of:
 - (i) 60 days from the end of such period; or
 - (ii) 30 days after the Corporation has provided to the LCBO the proportions of such Cost of Service Rebate to be paid to each such Brewer.
- (e) The Cost of Service Rebate shall be the following amount per hectolitre sold through operating New Outlets in excess of the applicable Annual Volume Cap:
 - (i) \$5.00, during any applicable period prior to May 1, 2017; and
 - (ii) for any applicable period following May 1, 2017, the amount that is equal to:
 - (1) the amount, if any, by which:
 - (a) the LCBO in-store cost of service charge in effect in respect of such period, expressed as a per hectolitre rate;

exceeds
 - (b) the volume-weighted average TBS basic service fee for packaged Beer sold at retail (including all subsequent adjustments to such fee made in respect of such fiscal year), expressed as a per hectolitre rate, (the “**TBS Average Service Fee**”) in effect in respect of such period;

multiplied by

- (2) the percentage that is equal to the amount that \$5.00 represents in percentage terms of the difference between the TBS Average Service Fee and the LCBO in-store cost of service charge, expressed as a per hectolitre rate, each as of April 1, 2016.
- (f) The Province shall not authorize New Outlets to sell Beer in formats larger than Six-Packs and shall not authorize New Outlets to provide Pack-up Pricing.
- (g) Except as specifically set out in the New Beer Agreements, the Province shall mandate that New Outlets be subject to the same laws, regulations and policies of the Regulator to which the Corporation is subject, with respect to permissible hours of sale, permissible days of operation, minimum retail price and uniform retail price as described in paragraph (h) of this Schedule. The New Outlets shall also be required to ensure that any public communication of the Consumer Retail Price of Beer shall be inclusive of all commodity and sales taxes and any applicable refundable container deposit. Subject to any rights of the Province under the ODRP Agreement, the Province shall not permit New Outlets to accept returns of empty Beer containers.
- (h) Consistent with the *Liquor Control Act* (Ontario), the Province shall mandate that the Consumer Retail Price of Beer shall be uniform across all retail outlets authorized or licensed to sell beverage alcohol in Ontario, which, for clarity, excludes sales to Licensees but includes sales by the New Outlets to retail consumers.
- (i) The Province shall prohibit electronic ordering of Beer by retail consumers and licensees at or through New Outlets. However, arrangements allowing electronic ordering and home delivery in existence as of April 16, 2015 shall not be terminated or curtailed. No New Outlet shall be permitted to offer Beer for sale pursuant to click-and-collect services whereby a customer places an order electronically (i.e., including placing an order on-line through the internet, telephone, hand-held device or other means of communication) and picks up the order from the New Outlet.
- (j) The Province shall mandate that operators of New Outlets holding, directly or indirectly, a liquor delivery service licence issued by the Regulator purchase all Beer for delivery under such liquor delivery service licence from a Government Store. A New Outlet that acquires, directly or indirectly, a liquor delivery service licence will be mandated not to purchase Beer in formats larger than Six-Packs from New Outlets or from the LCBO other than from Combination Stores (and may not fill such orders from its inventory otherwise held) for delivery under such liquor delivery service licence. The trade spend prohibitions set out in paragraph (q) of this Schedule shall apply when the holder of a liquor delivery service licence obtains a licence to sell Beer in its Grocery Stores or Stand-alone Outlets. The Province shall also mandate that each New Outlet holding, directly or indirectly, a liquor delivery service licence comply with the Beer brand assortment parameters described in paragraph (l) of this Schedule.
- (k) The Province shall permit in-store tastings of Beer to consumers at the New Outlets, either by the operator of the New Outlet or a Brewer. However, the Province shall prohibit the operator of a New Outlet from charging or accepting from a Brewer any form of consideration, including monetary and non-monetary consideration, for the provision of or ability to provide in-store tastings. Where the Brewer conducts an in-store tasting the operator of the New Outlet may require that the Brewer provide its own staff to conduct the tasting.

- (l) The Province shall mandate that the operator of each New Outlet shall offer for sale at each of its applicable retail outlets a variety of brands of Beer from manufacturers with a variety of annual production amounts. The Province shall not mandate that any New Outlets exclude any Brewer based on ownership or production volumes.
- (m) Each New Outlet shall ensure that not less than 20% of the Beer on display for sale to consumers, measured by Single Containers or equivalents, is produced by Small Brewers. The Province shall not require that New Outlets meet minimum sales or purchase requirements for the products of any Brewer or the products of any class of Brewers.
- (n) The Province shall mandate that no New Outlet or Brewer be permitted to enter into any agreement or arrangement with each other, or exchange any form of consideration, in respect of the provision of any amount of shelf space, product listings or any merchandising, marketing or promotional opportunity.
- (o) The Province shall prohibit New Outlets from selling Beer where they, or any of their Affiliates, owns the brand or has any commercial interest in the brand or a trademark with which the brand is marketed whether the Beer is manufactured by them or by another Beer manufacturer. Other than the foregoing, New Outlets may select the brands of Beer that they offer for sale from the full assortment of brands of Beer sold by the Corporation and the LCBO subject to certain exclusions that may be implemented from time to time by the Regulator based on public policy considerations.
- (p) The LCBO shall be the wholesaler of record to the New Outlets and all Beer sold through the New Outlets shall be ordered and purchased through the LCBO. Beer wholesaled by the LCBO to New Outlets will be subject to LCBO mark-ups and cost of service charges in effect from time to time. The Province shall cause the LCBO to ensure that such LCBO mark-ups will be equal to the Beer taxes levied from time to time under AGRPPA and any LCBO cost of service charge will be applied equally to all Brewers for each specified service for which a cost of service charge is established. Any margin, commission or discount provided to the operators of the New Outlets shall be funded exclusively by the LCBO. Notwithstanding the LCBO's role as the wholesaler of record, the Province shall permit Brewers to work directly with New Outlets with respect to demand planning, forecasting and category management.
- (q) The Province shall prohibit New Outlets from requesting or receiving from Brewers, and Brewers from offering or providing to New Outlets, directly or indirectly:
 - (i) supplier monies, non-monetary consideration and any other form of trade inducement;
 - (ii) supplier 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; and
 - (iii) supplier 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 Brewer staff to conduct in-store tastings as set out in paragraph (k) of this Schedule.

- (r) The Province may enable New Outlets to warehouse and distribute Beer through their own warehousing and distribution networks. The Province will further mandate that where a New Outlet operates its own warehousing and distribution services for Beer, such services must be offered to all Brewers at reasonable fees that are calculated in the same manner for all Brewers, and such information must be publicly available. No New Outlet operator shall be permitted to charge a Brewer any charge for warehousing and distribution services other than these publicly available fees.
- (s) Notwithstanding the LCBO's role as the wholesaler of record and the ability of New Outlets to offer their own warehousing and distribution services, Brewers licensed by the Regulator shall have the right to decline the use of a New Outlet's warehousing and distribution services and Brewers licensed by the Regulator shall have the right to make deliveries of Beer directly to the individual retail store of such New Outlet, either individually or collectively through the Corporation or as may be otherwise permitted by the Regulator, to the extent ordered by such New Outlets for such retail store (and New Outlets must accept such deliveries), subject only to a reasonable minimum order and reasonable delivery frequency standards established by the New Outlet in respect of direct deliveries by Brewers.
- (t) The Province shall mandate New Outlets to not preclude or restrict the use of the standard pallet of the Corporation, which is marked as being the property of the Corporation, to deliver Beer to New Outlets.
- (u) The Province shall direct the LCBO to make commercially reasonable efforts to reach a service level agreement with the Corporation and Brewers with the goal of improving inventory levels and fill rates related to the delivery of imported Beer.
- (v) The Province shall mandate New Outlets to keep and dispose of any Beer that becomes damaged subsequent to receipt by a New Outlet and bear any related costs. If the Beer is damaged at the time of receipt by a New Outlet, the Person that delivered such Beer shall dispose of any such Beer and bear any related costs.
- (w) The Province acknowledges that the Corporation may charge Brewers empty container handling fees for all Beer sold in New Outlets that is also listed for sale at the Corporation.

SCHEDULE 8.1 ARBITRATION PROCEDURES

1. Definitions and Interpretation

- (a) **Definitions** – Unless otherwise defined in this Schedule, all terms defined in the Agreement which are used in this Schedule have the same meaning as provided for those terms in the Agreement. Where used in this Schedule, unless the context or subject matter otherwise requires, the following words and phrases will have the meaning set forth below:

“**Act**” means the *Arbitration Act, 1991* (Ontario) or the *International Commercial Arbitration Act* (Ontario), as applicable.

“**Approved Arbitrator**” means a retired judge of the Supreme Court of Canada, Ontario Superior Court or Court of Appeal or a senior qualified lawyer who is impartial and independent of the Parties.

“**Arbitration Tribunal**” means the arbitrator appointed pursuant to Section 2 of this Schedule.

“**Court**” means the Ontario Superior Court of Justice.

“**Dispute**” means any matter which a Party, in accordance with the Agreement, submits to arbitration in accordance with the terms of this Schedule.

“**Procedures**” means the arbitration procedures described in this Schedule.

“**Schedule**” means this schedule of arbitration procedures.

- (b) **Governing Law and Jurisdiction** – The seat of the arbitration shall be Toronto, Ontario and all Disputes referred to arbitration (including the scope of the agreement to arbitrate, the law relating to the enforcement of the agreement to arbitrate, any relevant limitation periods, the law governing the procedure of the arbitration, the law relating to available remedies, set-off claims, conflict of laws rules and claims to costs and interest) shall be governed by the laws of the Province of Ontario.
- (c) **Time** – In the computation of time under the Procedures or an order or direction given by the Arbitration Tribunal pursuant to this Schedule, except where a contrary intention appears or the Parties otherwise agree:
- (i) where there is a reference to a number of days between two events, those days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, even if they are described as clear days or the words “at least” are used;
 - (ii) where the time for doing any act under this Schedule or any order or direction given by the Arbitration Tribunal expires on a day which is not a

Business Day, the act may be done on the next day that is not a Business Day; and

- (iii) delivery of a document or notice provided for in this Schedule or any order or direction given by the Arbitration Tribunal made after 5:00 p.m. (Toronto time) or at any time on a day which is not a Business Day, shall be deemed to have been made on the next Business Day.

2. **Commencement of Arbitration**

- (a) Any Party (or Parties) (collectively, the “**Claimant**”) may commence arbitration of a Dispute by delivering a written notice (a “**Notice of Arbitration**”) to the Party (or Parties) against whom the Claimant seeks a remedy (collectively, the “**Respondent**”). Where a Dispute arises which involves more than one Respondent, the Claimant may commence arbitration of the Dispute by delivering a Notice of Arbitration to each Party that is a Respondent.
- (b) In the Notice of Arbitration, the Claimant shall describe the substance of the Dispute and name three individuals whom the Claimant is prepared to appoint as arbitrator, each of such individuals to be an Approved Arbitrator.
 - (i) Within 10 days of the receipt of the Notice of Arbitration, the Respondent shall by Notice to the Claimant agree to the appointment of one of the three individuals named by the Claimant or provide the Claimant with a list of three other individuals who are Approved Arbitrators.
 - (ii) Within 10 days of receipt of the Respondent’s list, by Notice to the Respondent, the Claimant shall agree to the appointment of one of such individuals, or provide a further list of three Approved Arbitrators. The Parties shall continue to exchange lists of three Approved Arbitrators in this fashion until the Arbitration Tribunal is appointed.
 - (iii) If the Arbitration Tribunal is not appointed within 30 days of the initial receipt by the Respondent of the Notice of Arbitration, either Dispute Party may provide copies of the exchanged lists to the Independent Directors, who shall appoint the Arbitration Tribunal by majority vote.
- (c) Where any Party is a party to two or more pending arbitrations in relation to the same Dispute, such Party may apply to the Court for the consolidation of such arbitrations and other Parties to such arbitrations shall agree to the consolidation on such terms as the Court shall consider just.

3. **Arbitration Procedures** – The following procedures shall apply to the arbitration of any Dispute, except as the Parties may otherwise agree or as the Arbitration Tribunal otherwise directs:

- (a) Within 20 days of the appointment of the Arbitration Tribunal, the Claimant shall deliver to the Respondent and the Arbitration Tribunal a written statement (the “**Complaint**”) concerning the Dispute setting forth, with particularity, the full

names, descriptions and addresses of the Parties, the nature of the Complaint, the allegations of fact supporting the Dispute submitted for arbitration and the relief or remedy sought.

- (b) Within 30 days after the delivery of the Complaint, the Respondent shall deliver to the Claimant and the Arbitration Tribunal a written response (the “**Answer**”) to the Complaint setting forth, with particularity, its position on the Dispute and the allegations of fact supporting the Answer.
- (c) If the Respondent fails to deliver an Answer within the time limit referred to in Section 3(b), the Respondent shall, subject to Section 3(f), be deemed to have admitted the allegations of fact alleged in the Complaint and have accepted the Claimant’s entitlement to the relief and remedy set out in the Complaint.
- (d) Within 10 days after the delivery of any Answer, the Claimant may deliver to the Respondent and the Arbitration Tribunal a written reply to that Answer, setting forth, with particularity, its response, if any, to the Answer.
- (e) If the Respondent wants to submit any other Dispute to the Arbitration Tribunal it may, within the time provided for the delivery of the Answer to the Complaint, also deliver to the Claimant and the Arbitration Tribunal a counter-complaint (the “**Countercomplaint**”) setting forth, with particularity, the nature of the Countercomplaint, the allegations of fact supporting the Countercomplaint and the relief or remedy sought, for the Arbitration Tribunal to decide. Within 20 days of the delivery of a Countercomplaint, the Claimant shall deliver to the Respondent making a Countercomplaint and the Arbitration Tribunal a written response to such Countercomplaint (the “**Response to Countercomplaint**”) setting forth, with particularity, its position on the Countercomplaint and the allegations of fact supporting the Response to Countercomplaint. If the Claimant fails to deliver a Response to Countercomplaint within such 20 day period, the Claimant will be deemed, subject to Section 3(f), to have admitted the allegations of fact alleged in the Countercomplaint, and have accepted the Respondent’s entitlement to the relief and remedy set out in the Countercomplaint. Within 10 days after the delivery of a Response to Countercomplaint, the Respondent may deliver to the Claimant and the Arbitration Tribunal a written reply to such Response to Countercomplaint setting forth, with particularity, its response to such Response to Countercomplaint. Any Dispute submitted to arbitration in accordance with this Section 3(e) shall be governed by, and dealt with as if it were the subject of a Notice of Arbitration, that shall be determined by the same Arbitration Tribunal as part of the same arbitration proceeding as the Notice of Arbitration.
- (f) The time limits set for the delivery of the documents referred to in Sections 3(a) to 3(e) inclusive may be extended by agreement of the Parties or by the Arbitration Tribunal for such period, on such terms, and for such reasons as the Arbitration Tribunal may determine upon application made to the Arbitration Tribunal in writing by either the Claimant or the Respondent on Notice to the other, with such application being made either before the expiry of the time limit in issue or within two days after such expiry, and the Arbitration Tribunal may relieve the applying Dispute Party of the consequences of its failure to comply

with the time limit in issue, provided, however, that the other Dispute Party shall be given an opportunity to make submissions on the application.

- (g) Within 20 days following the completion of the steps set out in Sections 3(a) to 3(e) of this Schedule, a Dispute Party may, upon Notice to the other Dispute Party and to the Arbitration Tribunal, request the Arbitration Tribunal to give directions and make any order which is, in the discretion of the Arbitration Tribunal, reasonable regarding any procedural matters which properly should be resolved before the arbitration proceeds further, including the amendment of any pleadings, the provision of particulars, the production of documents and the need for examinations for discovery in connection with the arbitration, either by way of oral examination or written interrogatories, and a determination as to the manner in which evidence shall be presented to the Arbitration Tribunal (by way of agreed statement of facts, sworn evidence and transcripts of cross-examinations on such sworn evidence or viva voce, or some combination thereof). In making any order or giving any direction in respect of any procedural matter the Arbitration Tribunal may impose such terms as are reasonable in order to ensure the completion of the arbitration in a timely manner. The Notice requesting any direction or order pursuant to this subsection shall state the direction or order sought and set out the reasons for seeking such direction or order. Nothing in this Section shall be taken to limit the jurisdiction of the Arbitration Tribunal to deal with procedural matters in accordance with the Act.
 - (h) If no Dispute Party has requested directions in accordance with Section 3(g), the Arbitration Tribunal shall give directions regarding the further procedural steps in the arbitration, including any production of documents, any examinations for discovery, and the nature of any hearing (“**Hearing**”). In making any order or giving any direction in respect of any procedural matter the Arbitration Tribunal may impose such terms as are reasonable in order to ensure the completion of the arbitration in a timely manner. Each of the Parties shall have an opportunity to make oral submissions to the Arbitration Tribunal in respect of such procedural steps.
 - (i) Unless the time for making an award is extended by agreement of the Parties or by court order, the Arbitration Tribunal shall make an award within 60 days after completion of any Hearing or other final procedural step in which evidence or argument are provided to the Arbitration Tribunal. The award shall be in writing and shall state the reasons on which it is based. Executed copies of all awards shall be delivered by the Arbitration Tribunal to each Dispute Party as soon as is reasonably possible.
4. **Agreement to be Bound** – No individual shall be appointed to the Arbitration Tribunal unless he or she agrees in writing to be bound by all provisions of this Schedule.
5. **Arbitration Tribunal Discretion** – Subject to the Act, the Agreement and this Schedule, the Arbitration Tribunal may conduct the arbitration in such manner as the Arbitration Tribunal considers appropriate.

6. **Interim Relief** – At the request of any Dispute Party to the arbitration, the Arbitration Tribunal may take such interim measures as the Arbitration Tribunal considers necessary in respect of the Dispute, including measures for the preservation of assets, the conservation of goods or the sale of perishable goods. The Arbitration Tribunal may require security for the costs of such measures.
7. **Remedies** – The Arbitration Tribunal may make final, interim, interlocutory and partial awards. An award may grant any remedy or relief which the Arbitration Tribunal considers just and equitable. The Arbitration Tribunal shall state in the award whether or not the Arbitration Tribunal views the award as final or interim, for purposes of any judicial proceedings in connection with such award.
8. **Experts** – The Arbitration Tribunal shall not, without the written consent of the Parties to the arbitration, appoint any expert or other consultant or retain any counsel to advise him or her.
9. **Appeal** – The award of the Arbitration Tribunal shall be final and binding on the Parties to the arbitration, and shall not be subject to any appeal to court, even on questions of law. An appeal on any question of fact, law or mixed fact and law may be made to an appeal arbitration tribunal composed of three arbitrators (the “**Appeal Arbitration Tribunal**”), who shall be chosen through the process set out in paragraph 2 of this Schedule. The procedures to be applied by the Appeal Arbitration Tribunal shall be determined by that tribunal as it considers appropriate. The award of the Appeal Arbitration Tribunal shall be final and binding and shall not be subject to any appeal to court or to any other arbitrator, even on questions of law. The Appeal Arbitration Tribunal may grant interim relief. The Appeal Arbitration Tribunal may dismiss the appeal, or give the award that it finds the Arbitration Tribunal should have given.
10. **Costs of Arbitration** – The fees and expenses of the Arbitration Tribunal and any Appeal Arbitration Tribunal and costs of the arbitration facilities shall be periodically billed to and paid in equal proportions by the Parties to the arbitration as the Arbitration proceeds. The Arbitration Tribunal and any Appeal Arbitration Tribunal shall have the power to award costs, including the fees and expenses of the Arbitration Tribunal and costs of the arbitration facilities, and the legal fees of an opposing Dispute Party in the arbitration upon hearing submissions by any Dispute Party requesting same, and any responding submissions from the other Dispute Party. All of these costs shall be awarded to the successful party on a full indemnity basis, as such term or equivalent amended term is used in the Rules of Civil Procedure.
11. **Interest** – The Arbitration Tribunal shall award pre- and post-judgment interest on any damages awarded to the successful party in accordance with the *Courts of Justice Act* (Ontario).
12. **Notices** – All Notices and all other documents required or permitted by this Schedule to be given by any Dispute Party to the arbitration to the other shall be given in accordance with Section 8.9 of the Agreement. All Notices and all other documents required or permitted by this Schedule to be given by any Dispute Party to the arbitration to the Arbitration Tribunal shall be given in accordance with the Arbitration Tribunal’s instructions.

13. **Confidentiality** – The existence of the arbitration and any element of the arbitration (including an appeal) shall be confidential. Confidential information regarding the property, business or affairs of any Dispute Party that is disclosed during the arbitration shall be kept confidential by the Arbitration Tribunal, any Appeal Arbitration Tribunal and all other Dispute Parties.