

LCBO Value-Add Terms & Conditions

1. Participants shall at all times comply with all AGCO ADVERTISING GUIDELINES as amended from time to time, and with all applicable laws.
2. All Value-Added promotions must be pre-approved by the appropriate Category Manager. The Category Manager's decision is final.
3. All approved Value-Added samples must be submitted to the proper Category a minimum of six months prior to the scheduled Promotional Turn for quality control approval, with the exception of LCBO-supplied Value-Add items. If the Value-Add item has not been approved, the program will be canceled.
4. A Value-Added item may have a nominal value not exceeding 20% of the retail price of the beverage alcohol product with which it is included.
5. Value-Added beverage alcohol items are permitted to exceed 100 mL. Note: Value add items must not exceed 20% of the retail price of the beverage alcohol product with which it is included. Preference, for value-adds over 100mL, is for execution on display space only. Value-add items must not impede shelf space for adjacent products if approved in-section.
6. Participants are encouraged to cross merchandise line extensions and different brands to stimulate customer trial.
7. A brand may participate in consecutive Promotional Turns, but a product SKU may only participate as frequently as every 2nd Promotional Turn.
8. A Value-Add program can be offered in conjunction with a Limited Time Offer under certain circumstances and with the approval of the Category/Product Manager (i.e. super sale offer, display program support). The combined nominal value of the Value-Added item and the Limited Time Offer must not exceed 20% of the retail price of the beverage alcohol product with which it is included.
9. Preference will be given to products also featured in Display Programs, however all submissions will be considered.
10. Where food items are provided as Value-Added items, vendors must additionally provide coupons for redemption on subsequent purchases of the Value-Added item at select retailers.

Example:

- A Value-Add promotion featuring a wine product with a package of pasta must be accompanied by offering a coupon for redemption on a subsequent purchase of that pasta at selected retailers.
 - If there are complaints from local stores regarding Value-Added food promotions, the promotions will be removed from those stores.
 - Participants are encouraged to use trial sizes and new product launches for their food selections to stimulate trial and provide potential business for local convenience and grocery stores.
- 11. All Value-Add products sourced directly from the vendor are ordered under a different LCBO number (Mother Carton #) from the original product. The Shipping Container Code (SCC) used for the Value-Add must also be different than the Shipping Container Code used for the original product and should be marked on the Value-Add carton. In the event that the vendor is unable to mark the Value-Add Mother Carton with a different SCC, the Value-Add item must be Sales Representative-applied in LCBO stores.

Notes:

- Regular product UPC/LCBO# is maintained on the individual selling units.
- Value-Add Mother Carton case pack configuration must be the same as the regular product (e.g. If the regular product is configured as a 12 pack, the Mother Carton must be configured as a 12 pack.)
- It is the suppliers/agents responsibility to inform the LCBO of any SCC code changes for a Value-Add Mother Carton number once the program has been approved.

FOR SPIRITS ONLY – PLANT APPLIED VALUE-ADDs

- Brands that were previously approved for plant applied value-adds will now be charged a flat \$700 participation fee versus a per case fee.
- Plant applied value-adds will be required to ship under the mother SKU using the same SCC, instead of a unique mother carton SKU.

- Imported and Domestic SKUs are both permitted in the program at category discretion
- Bottle wraps and gift boxes will be approved in the program
- Applications will continue to be entered in MPTS
- Category will continue to approve value-add quantities
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- Value-Adds should not be applied in excess on shelf after the promotion end
- Case dimension and pallet configuration MUST remain the same, shipped under the mother SKU/SCC
- Cases cannot not exceed 18.9 kgs
- SUPPLIER MUST REINVEST INTO LCBO PROGRAMMING

As orders for the Plant Applied stock will no longer be issued under a mother carton number, suppliers should follow an internal tracking process suggested below:

Plant Applied Process	
Responsible Party	Action
LCBO	Plant applied programs and quantities approved via MPTS
VENDOR	New internal tracking code Value Add number created.
VENDOR	Calculate Plant Applied VA case split by LCBO warehouse (using historical sales split of host SKU)
VENDOR	Build finished goods plant applied cases using new Plant Applied VA internal number. This allows internal tracking for order pick control at vendor warehouse.
VENDOR	Have Plant Applied VA prepared for dispatch from vendor using the appropriate lead time to arrive in warehouse approximately 2 weeks prior to promo start date (not earlier).
LCBO	Create orders using regular UPC and SCC via normal weekly orders.
VENDOR	Prior to program start date, begin substituting & shipping Value-Add item versus the regular SKU on orders to the LCBO (no notification to LCBO is required on substitution). Use appropriate lead time to arrive in warehouse approximately 2 weeks prior to promo start date (not earlier). If PO QTY is over approved Value-Add QTY, vendor will ship balance with Host If PO QTY is under approved Value-Add QTY, vendor will continue shipping Value-Add on future orders until depleted
LCBO	Receives Value-Add item per normal receiving procedures, scanning carton SCC and inducting into the regular LCBO SKU stock holdings. (VA SCC on carton to be same as regular SKU)
LCBO	Value-Add items will ship from LCBO warehouses to retail based on FIFO inventory policy. Retail orders using regular LCBO SKU.

- The Value-Add "Free" item should NOT have a UPC symbol. If it does, it must be defaced (mark vertically between bars) so that it cannot be scanned at the checkout.
- Category Managers determine the minimum and maximum order quantities for all applied Value-Add items.
- The duration of Value-Added programs shall not be longer than one LCBO Promotional Turn. Remaining inventories will be allowed to stay on shelf at the end of a Value-Added promotion. It is the intention of this program however, that inventory will be kept to a minimum at the end of a Value-Added promotion.
- Seasonal products (e.g. coolers) may have their Value-Added programs approved for a season rather than one Promotional Turn.
- Spirits Only:
 - No representative-applied Value-Add after the third week of the Promotional Turn.
 - Plant applied value-add programs will be approved only when the case quantity is a minimum of 200 cases.
- Participants hereby indemnify and save harmless the LCBO from all costs, losses, damages, judgments, claims, demands, suits, actions and other proceedings in any manner connected to their participation in a Value-Added program. The LCBO shall have no liability for any Value-Added items supplied by the participant or its agents under this program.

18. In no event will the LCBO be liable for any special, incidental, indirect, consequential, exemplary or punitive damages or any damages for loss of profits, loss of data or business interruption relating to a Participant's participation in a Value-Added program. These limitations will apply regardless of the claim, and regardless of whether the LCBO has been advised of the possibility of such damages. If circumstances arise where a Participant is entitled to recover damages relating to Value-Add items supplied by the LCBO under this program, the aggregate liability of the LCBO, if any, will in no event exceed the total fees paid by the Participant to the LCBO to participate in the applicable Value-Add program.
19. The LCBO may terminate or suspend the Participant's participation in any Value-Added promotion immediately upon written notice to the Participant where the Participant is in breach of any of the terms and conditions. Failure to comply with any of these terms and conditions may disqualify the Participant's application in any future Value-Added promotion.
20. Any company applying unapproved Value-Adds at store level will lose their Value-Added privileges for four consecutive turns. The penalty will be applied to all of the brands in the company's portfolio.
21. Imported products cannot participate in the plant-applied liquid value-add program. Non-liquid plant-applied value-adds are acceptable.