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April 8, 2010

To: LCBO Trade Partners

Re: Changes to LCBO Mark-ups

Dear trade partners,

I am writing to inform you of new LCBO mark-ups for spirits, wine, beer and cider that take effect July 1, 2010.

On November 17, 2009, the Honourable Dwight Duncan, Minister of Finance, announced *Ontario's Tax Plan For Jobs and Growth* which includes measures relating to the HST (<http://www.fin.gov.on.ca/en/publications/2009/fbbb.html>). This plan includes changes to LCBO mark-ups designed to:

- Maintain the revenue that would be lost in lowering the current retail sales tax rates on alcohol to the Ontario HST rate;
- Mirror the current alcohol distribution and sales system as closely as possible;
- Generate no new revenue for the province and minimize changes to consumer prices; and
- Create a structure that would continue to promote social responsibility.

A summary of the new mark-up rates is attached.

Suppliers will be able to submit quote revisions according to the schedule below. These revisions should apply only to LCBO products and VINTAGES Essentials products. The HST pricing model will be applied to all VINTAGES Release products from July 1 onward. Suppliers will only be asked to provide a re-quote where a major discrepancy to the agreed retail price occurs, as per VINTAGES normal practice.

- Revised wholesale quotes to pricing administration April 30, 2010
- Wholesale quote effective date May 31, 2010
- Retail effective date (domestic products) July 1, 2010



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Please note that the LCBO's On-Line Pricing model will be updated to reflect the new mark-ups as of Monday, April 12th.

Import suppliers who wish to maintain current retail prices may do so by using the current supplier rebate procedure and advising the Pricing Administration Department no later than April 30.

Please note that in accordance with Ontario Regulation 116/10, products sold through The Beer Store (TBS) channel must submit changes for July 1 by June 14. There will be no price adjustments on June 28.

As a result of the HST change effective July 1, the regular monthly price changes for Periods 4 and 5 will be eliminated. Please follow the regular schedule for any changes you may wish to implement in Period 6.

Please contact the LCBO Pricing Administration Department if you have any questions on these changes.

Yours sincerely,

Bob Downey
Senior Vice President
Sales & Marketing

Encl.