



Discover the World

January 7, 2013

Trade Partners:

I am writing to inform you that on Friday, March 1, 2013, the minimum prices for all categories of beverage alcohol will increase in accordance with Ontario Regulation 116/10 under the *Liquor Control Act* (see attachments #1 and #2). Similar increases to minimum prices took place on March 1, 2012. The regulation requires minimum prices to be increased by the three year average of the Consumer Price Index.

Please also note that the markup on beer will be adjusted on this date (see attachment #2).

1. For All Products Sold Through the LCBO (Excluding Beer Products Sold in The Beer Store)

Suppliers will be able to submit wholesale revisions that will take effect on February 4, 2013 if they wish to ensure their quotes are in line with the new minimum retail prices. Please note that regardless of whether an item is a domestic or import product, the retail price will change effective Friday, March 1, 2013 to the new minimum retail price (MRP). Beer products exclusive to the LCBO whether at the new minimum retail or not, will also be adjusted based on the revised markup.

The following is the schedule for Suppliers to submit new wholesale quotes:

Revised Wholesale Quotes to Pricing Administration:	January 18, 2013
Wholesale Quote Effective Date:	February 4, 2013
Retail Effective Date (Domestic products):	March 1, 2013

2. For Beer Products Sold in The Beer Store (Including Products Sold in Both LCBO and The Beer Store)

The price of any product sold through The Beer Store (TBS) channel that falls below the new minimum price will be automatically adjusted upwards effective Friday, March 1, 2013. Unless advised otherwise by the Brewer, all Ontario beer retail prices not affected by the new MRP **will not** be adjusted.

Imported beer **will** be automatically adjusted upwards based on the new markup, unless otherwise advised by the Brewer/Agent. If the Supplier wishes to maintain their current retail price, they must submit a revised wholesale price based on the new markup and indicate that they will accept the chargeback required in order to hold the retail. This applies only to products that are sold in the TBS Channel.

For LCBO Exclusive beer products, please refer to the schedule noted in the above Section 1. Please be aware that this date will be the new date for all beer price changes that would normally have gone into effect on Monday, February 25, 2013. The normal process for beer

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price changes submitted on February 11, 2013, will now be applied at retail effective on Friday March 1, 2013.

3. For Imported Spirit Pricing (Excluding Liqueurs & Ready-to-Drink Products)

Any imported spirits supplier wishing to re-quote as a result of the new minimum prices may do so by completing the attached imported spirits template (See attachment # 3). This template, along with the new quote letter, must be faxed to LCBO Pricing and emailed to matthew.o'sullivan@lcbo.com, by January 18, 2013. The new retail prices for these products will be forced up on March 1, 2013 based upon the revised quote and the targeted retail price as indicated in the completed template. Upon purchase order receipt, prices will be recalculated based on current quote and rates.

If the LCBO does not receive a completed template, it will be assumed that the supplier does not wish to have the retail price forced up as stated above and the new retail price will be calculated according to the regular Import Price Schedule based upon purchase order receipts. Please note that in this latter circumstance, it is possible that any approved Limited Time Offers (LTO) will be cancelled should they fall below the new minimum retail prices.

4. For Limited Time Offers (LTO)

LTO prices for products participating in the Period 13 Promotional Period will be based on the retail in effect as of February 4, 2013. Suppliers will need to review future LCBO promotional programs to ensure that they adhere to the new minimum prices.

NEW! The following Spirits LTO rules will be revised effective March 1, 2013:

- For all size formats, the LTO savings cannot take the retail price below floor (previously the minimum value was the bottom of the premium price band).
- One SKU in a brand family is allowed to be priced in a lower band. However, the SKU must be either 1140mL or 1750mL. If more than one SKU is moved to a lower price band, the entire brand is recoded to the lower band.

5. For Band Pricing

Please find attached a list of the new corresponding spirits price bands (see attachment # 4). In order to better define and merchandise the Liqueurs categories, a new price band structure of Standard, Deluxe and Premium has been introduced.

Please notify either Stacey Roth (416 864 6347) or Marijke McLean (416 365 5873) of the Spirits Category of any planned changes in retail price by January 31, 2013 to ensure that your product is classified in the appropriate price band.

6. MAFR Review

We have now completed our standard quarterly review of the Moving Average Freight Rates (MAFR). Suppliers affected by this review will be notified no later than January 11, 2013. Any supplier wishing to adjust their quote as a result of this review should consider all of the above changes when submitting a revised quote.

If you have any questions with regard to these changes, please contact Bob Ewing, Manager, Pricing Administration (416 365 5869/robert.ewing@lcbo.com).

Your co-operation is greatly appreciated,

A handwritten signature in cursive script that reads "Bob Downey".

Bob Downey
Senior Vice President
Sales & Marketing Division