

**BILATERAL AGREEMENT ON BEER TRADE BETWEEN THE GOVERNMENT OF
NOVA SCOTIA AND THE GOVERNMENT OF QUÉBEC**

1.0 Definitions

In this Agreement:

beer and beer products means ale, lager, stout, porter, malt liquor and malt-based beverages brewed in Canada, that are the product of the alcoholic fermentation by yeast of an infusion of barley or wheat, malt and hops or hop extract or of any similar products in potable water;

competent authority means either Party or any commission, board, agency, entity or body that is authorized by the Party by law to control within its territory the importation, distribution or sale of beverage alcohol products, and includes any competent authority listed in Schedule "A";

distribution means the ordering, receipt and warehousing of beverage alcohol products and their transportation to points of sale;

industrial brewery means any free-standing place or premises where beer and beer products are manufactured for sale, operated by a producer of a Party, where the annual production in the territory of a Party is above the threshold as defined for a microbrewery;

listing means the right granted to a producer by a competent authority to sell a product within the territory of a Province;

measure includes any legislation, regulation, directive, requirement, guideline, program, policy, administrative practice or other procedure;

microbrewery means any free-standing place or premises where beer and beer products are manufactured for sale, operated by a producer of a Party, where the annual production in Nova Scotia is less than 15,000 hectoliters and in Quebec is less than 300,000 hectoliters;

Party means a party to this Agreement;

points of sale means the retail locations and licensed establishments within the territory of a Party where beverage alcohol products are sold;

producer of a Party means a producer licensed by a competent authority to produce, manufacture, brew, blend or package beverage alcohol products in the territory of a Party and

includes the agents and representatives of that producer;

production facility means any free-standing place or premises operated and /or owned by a producer of a Party;

retail containers means containers such as bottles, cans and kegs sold or used in retail locations and in licensed establishments.

2.0 Microbreweries

- 2.1 Each Party shall accord to beer and beer products of a microbrewery of the other Party, treatment no less favourable than the best treatment it accords to its own microbreweries up an annual sales volume of 15,000 hectoliters. If annual sales of a microbrewery in the territory of the other Party exceeds the 15,000 hectoliters limit, the Parties will consult to determine what treatment will apply to that brewer.
- 2.2 In particular, Article 2.1 applies to measures in respect of:
- (a) listing;
 - (b) pricing;
 - (c) access to points of sale;
 - (d) distribution;
 - (e) merchandising; and
 - (f) cost of service, fees and other charges.
- 2.3 The Parties will eliminate any differential cost of service, fees or other charges on beer or beer products produced in a microbrewery of one Party that is imported into the territory of the other Party.
- 2.4 Articles 2.1, 2.2 and 2.3 do not apply to beer or beer products produced by a microbrewery of a Party under contract for or on behalf of another brewer. This restriction does not apply to beer and beer products produced under license.
- 2.5 The Parties retain the right to apply a preferential mark-up for their own microbreweries.

3.0 Inter-plant Shipments

- 3.1 The Parties shall allow a producer of a Party who is also a producer of the other Party to freely transfer beer or beer products in retail containers produced within one Party's territory to the other Party's territory, provided the beer or beer products are transferred directly from one production facility to another production facility.
- 3.2 The Parties will eliminate any cost of service or other charges applied to beer or beer products transferred in accordance with Article 3.1, except for the fee of "first receipt".
- 3.3 For clarity producers of a Party must comply with the *Importation of Intoxicating Liquors Act* (Canada) in all transfers under Article 3.1.

4.0 Industrial Breweries

- 4.1 Industrial breweries in either province will have the right to self distribute in the other province. However, self distribution can be limited to industrial breweries whose volume of sales in the territory of the other Party exceeds one million (12 bottles equivalent) cases annually. For the purposes of this section, volume of sales does not include beer or beer products produced by an industrial brewery of a Party under contract for or on behalf of another brewer but includes, beer and beer products produced under a license arrangement. The self distribution rights may be limited to beer brewed and put in retail containers in the territory of either Party.
- 4.2 In order to exercise the right to self distribute an industrial brewer will:
- (a) Permit the competent authority of the territory to audit and monitor the distribution system;
 - (b) Either own or lease, and operate any warehouse; or contract on a commercial basis with the competent authority for warehouse facilities in the province in which self-distribution is occurring. For the sake of clarity the right of self-distribution shall not be granted if the producer uses third party warehousing facilities;
 - (c) Pay the appropriate fee to the competent authority; and
 - (d) Not be permitted to set up a warehouse operated retail store.

- 4.3 The competent authorities of both Parties retain the right to charge a fee to cover the ongoing administration and operating costs consistent with their right of first receipt and to require a permit for self-distribution. Each Party will provide the other with 30 days prior written notice of any changes to the conditions related to obtaining a permit for self distribution.
- 4.4 The fee of "first receipt" charged by the competent authorities of both Parties shall not exceed the actual costs incurred for that purpose. The Parties agree upon request to exchange information and justification for such costs.
- 4.5 The Parties will eliminate any cost of service or other charges applied to beer or beer products that are self-distributed by an industrial brewery in accordance with this Article except the fees provided for in Articles 4.2(c) and 4.4.

5.0 Suspension and Termination

- 5.1 Either Party may suspend the application of this Agreement to a producer of a Party where the producer has breached a measure related to its conduct within the territory of the suspending Party.
- 5.2 This Agreement may be terminated at any time by either Party provided at least 90 days' prior written notice is provided to the other Party.

6.0 Agreement In Force

- 6.1 This Agreement will be in force at the date of signature.

7.0 General

- 7.1 The Parties are responsible for compliance with this Agreement by their respective departments, ministries, and similar agencies of government and by its other governmental bodies and non-governmental bodies that exercise authority delegated by law including Crown Corporation and including the competent authorities listed in Schedule "A" and any entity to which those authorities delegate authority.
- 7.2 The Parties shall make every attempt through cooperation, consultations and other dispute avoidance and resolution processes available to them to arrive at a mutually satisfactory resolution of any matter than may affect the operation of this Agreement. Each Party shall identify a contact person for this purpose.

- 7.3 Notices that are required or permitted under this Agreement shall be in writing and shall be delivered by hand or by courier, sent by prepaid post or transmitted by facsimile to the Parties at the following addresses:

President and CEO
Nova Scotia Liquor Corporation
93 Chain Lake Drive
Bayers Lake Business Park
Halifax, Nova Scotia B3S 1A3

Le directeur de la Direction de la politique commerciale
Ministre du Développement économique, de l'Innovation et de l'Exportation
710, Place D'Youville, 8^e étage Québec (Québec) G1R 4Y4
Téléphone (418) 691-5995
Télécopieur (418) 643-4347

Done at Halifax and Québec, on December 18, 2006, in duplicate, in English and French, both texts being equally authentic.

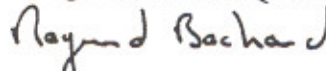
For the government of Nova Scotia



Honourable Carolyn Bolivar-Getson
Minister responsible
for the Liquor Control Act

Dec 20/06

For the government of Québec



Raymond Bachand
Ministre du Développement économique,
de l'Innovation et de l'Exportation



Benoît Pelletier
Ministre responsable
des Affaires intergouvernementales canadiennes,
de la Francophonie canadienne,
de l'Accord sur le commerce intérieur,
de la Réforme des institutions démocratiques
et de l'Accès à l'information

Schedule "A"

The Province of Nova Scotia

Nova Scotia Liquor Corporation

The Minister Responsible for the *Liquor Control Act* and the Nova Scotia Liquor Corporation

The Province of Quebec

Société des alcools du Québec

Régie des Alcools, des courses et des jeux du Québec