

Dear Licensed Producer,

Re: Notice of Amendment to the Licensed Producer Supply Agreement for Non-Medical Cannabis - Effective March 30, 2022

You have entered into a Licensed Producer Supply Agreement for Non-Medical Cannabis (“Supply Agreement”) with Her Majesty the Queen in right of the Province of British Columbia, as represented by the Administrator of the *Cannabis Distribution Act* (the “Province” or the “LDB”). This is the agreement under which you agree to sell and the Province agrees to purchase non-medical cannabis products on certain terms and conditions. The current version of the Supply Agreement is dated for reference the 31st day of March, 2021.

This is your notice, pursuant to section 34 of the Supply Agreement, that as of March 30, 2022 the Supply Agreement will be amended. The Province does not anticipate any material changes to current business arrangements. However, there have been significant updates to the Supply Agreement, which are explained below. As with any amendment to an agreement, it is advisable that you review the new version of the Supply Agreement in detail. The new version of the Supply Agreement is dated for reference March 30, 2022.

Overview of changes to the Supply Agreement

With the anticipated launch of the Province’s non-medical cannabis wholesale direct delivery program later this year, the Supply Agreement has been revised to provide maximum flexibility to non-medical cannabis industry participants that are capable of, and desire to, sell cannabis product to the BC Liquor Distribution Branch (LDB). More details about the Direct Delivery Program will be available within the next 30 days on the DD Webpage referenced in the new Supply Agreement.

Federally licensed processors (“LPs”) who currently sell cannabis to the LDB for distribution through its central delivery channel under a Supply Agreement may continue to do so under the terms of the March 30, 2022 Supply Agreement without interruption. However, an LP may also be able to sell cannabis product to the LDB for distribution through direct delivery, subject to the terms and conditions applicable to that distribution channel. Eligible LPs may also participate in both central delivery and direct delivery channels at the same time, provided all conditions for participating in each channel are met.

The structure of the March 30, 2022 Supply Agreement is as follows:

1. The main body of the agreement contains terms of general application to all LPs, whether utilizing central delivery or direct delivery (the “General Terms”).
2. The contract then has an Annex containing all terms applicable to central delivery, followed by an Annex with all terms for direct delivery. Appended to each of these annexes are the standard form purchase order/purchase instructions LDB will use for each distribution channel, and in the case of the direct delivery Annex, the reporting requirements specifically applicable to that distribution channel.
3. Finally, there is an Annex applicable to both distribution channels setting out the pre-existing cannabis sales data provisions.

While LPs currently selling cannabis product to the LDB under a Supply Agreement will see no material change to their business dealings with the LDB, there are some additions and revisions to the Supply Agreement that will be applicable to LPs participating in central delivery:

- A representation and warranty by all LPs under a Supply Agreement that they hold a cultivation or processing licence issued under section 62 of the *Cannabis Act* and will take commercially reasonable steps to maintain that licence during the term. The clause further requires that federal licensees selling cannabis product to the LDB under a cultivation licence (which would be limited to plants and seeds that are cannabis products) understand the restrictions applicable to sales of cannabis product under that licence category and adhere to those restrictions.
- A call out of the distinct distribution channels and their terms and conditions, and an acknowledgement and agreement by the LP that it agrees to be bound by the terms and conditions of the applicable distribution channel(s) to which it is registered and/or participates in.
- Term and termination clauses (formerly sections 2 and 3 of the Supply Agreement, now sections 5 and 6 of the General Terms) are expanded to account for the addition of the direct delivery channel. The termination clause further provides for additional actions that the LDB may take other than termination, in certain circumstances.
- The Product Information clause (section 10 of the General Terms) has been revised to align to more accurately reflect current product and pricing policies of the LDB and requires LPs to provide immediate notice of changes to Product Information.
- The insurance clause (formerly section 23 of the Supply Agreement, now section 18 of the General Terms) has been modified to clarify that insurance requirements are dependent on the type of product being sold to the LDB, and the requirement to provide the Province with evidence of insurance has been revised to 10 business days following the Province's request in all instances.
- The indemnity clause (formerly section 26 of the Supply Agreement, now section 15 of the General Terms) has been expanded to include losses arising as a result of direct delivery.
- The customer complaints section (formerly section 27 of the Supply Agreement, now sections 16 and 17 of the General Terms) has been expanded to include reporting of concerns received by the LP directly and product recalls.

Note that the foregoing is not an exhaustive list of all changes to the Supply Agreement. LPs should complete a comprehensive review of the revised Supply Agreement and seek independent legal advice if necessary. If you have any questions related to the changes to your Agreement, please contact: Jeff Ring, Director Supply Chain, Cannabis Operations at jeffrey.ring@bcldb.com or 604-420-8241.

Sincerely,



R. Blain Lawson
General Manager and Chief Executive Officer, LDB
Administrator of the *Cannabis Distribution Act*

cc. *Jeff Ring- Director, Cannabis Supply Chain, LDB*
Gayle Corah- Executive Director, Cannabis Operations, LDB