

From: Turner, Caeli LDB:EX
Sent: Tuesday, December 05, 2017 10:16 AM
To: Lawson, R. Blain LDB:EX
Subject: SPECIAL ANNOUNCEMENT: LDB appointed cannabis wholesale distributor
Attachments: 2017-12-05 - QA - Cannabis distribution model - internal - FINAL.pdf; 2017-12-05 - KM - Cannabis distribution model - general speaking points for all-staff - FINAL.pdf

Good morning everyone,

This morning, government announced the LDB has been appointed to become the non-medical cannabis wholesale distributor for the province of BC, once the product is legalized. The news release in its entirety can be found here:

<https://news.gov.bc.ca/releases/2017PSSG0077-002017>

This is an exciting, major project for our organization. Government's decision speaks to the LDB's proven track record in managing a safe, regulated supply chain for liquor. We have been entrusted to uphold government's key priorities of protecting children and youth, ensuring health and safety standards, and keeping the criminal element out of cannabis.

With this important responsibility, I'd like to offer some clarification on the implications for LDB:

- The LDB intends to set up a separate warehouse for cannabis distribution.
- We will be forming separate business operations for cannabis and adding additional resources and personnel.
- We are actively seeking office space solutions to suit our immediate needs and future growth. We are sensitive to employees' concerns and are looking for locations that are in relatively close proximity to our current location and are accessible by major transit.
- The relocation of the VDC to the new facility in Delta, for liquor distribution, is still proceeding according to plan.
- Our commitment to serving existing stakeholders – internal and external – and customers of our primary, liquor wholesale and retail businesses remains.
- Government is still considering its options around cannabis retail stores, but has indicated they are planning for private/public hybrid model. At this point, we don't know whether that would be a model where liquor sales and cannabis sales will be co-located – government will be providing more details in the new year.

I invite you to dial-in to today's teleconference to hear, first-hand from me, what the additional responsibility of cannabis distribution means to the LDB:

Date & time: Tuesday, December 5, 2017 at 11:20 a.m. – 12 p.m.

Toll free teleconference #: s.15,s.17

Access code: s.15,s.17, then press the # key to bypass the PIN number when prompted

*** Please note: for ease of accessibility, we are inviting you to a teleconference – no computer/webinar access is required.

I appreciate that this will be a drastic change for the business. While there are still lots of questions that we don't yet have the answers to, we will be working together as a team to build this exciting future for our organization. Attached to this email you'll find some Q&As, as well as some general speaking points in case you start to receive inquiries from the public or stakeholders. If you have any other questions or specific concerns, I encourage you to talk to your manager. Also, stay tuned to our intranet for future updates.

Together with the leadership team, I am committed to keeping you apprised about what this means for our organization. I appreciate that it's been a busy year for all of us this 2017, and again, I thank you for your continued dedication and contributions in making the LDB successful.

Best regards,

Government appoints the LDB as wholesale distributor of cannabis

ALL-STAFF – GENERAL SPEAKING POINTS

- The provincial government has announced the LDB will be the sole wholesale distributor of non-medical cannabis in B.C.
- The government is still considering its options related to the retail of cannabis, but has indicated they anticipate establishing a retail model that includes both public and private stores.
- At this point, it is not confirmed whether the retail model would involve liquor and cannabis sales from the same retail outlets – we will have more details in the early 2018.
- Having LDB-run wholesale distribution will help support the government's key priorities of protecting children and youth, ensuring health and safety standards, and keeping the criminal element out of cannabis.
- For more information, please visit: www.bcldb.com/cannabis or email: cannabis@bcldb.com.



Government appoints the LDB as wholesale distributor of non-medical cannabis

Employee FAQs

Last Updated December 5, 2017

Corporate

- 1. What does the LDB's announcement of becoming the wholesaler of non-medical cannabis mean to me as an employee at Head Office?**

We are going to work together to set-up this new business operation for success based around the current timelines outlined by the federal government for legalization (July 1, 2018). Your business area leaders will have more information for you in the coming weeks and months as we work through the details.

- 2. Why has government appointed the LDB to be the wholesale distributor of cannabis?**

The LDB has a proven track record in managing a safe, regulated supply chain for liquor. The government has entrusted the LDB with its key priorities of protecting children and youth, ensuring health and safety standards, and keeping the criminal element out of cannabis.

- 3. Will cannabis be a separate business area, making LDB's lines of business comprised of Wholesale Liquor, Retail Liquor, and Wholesale Cannabis – supported by Corporate?**

We will be reviewing our organizational structure and creating a separate business operation for cannabis, but before we finalize things we will also want to know whether government will be tasking LDB with the retail component. At this point, government has only indicated its intention to have a private/public model for the retailing of cannabis but we do not know if LDB will be involved.

- 4. Are we rebranding to become the Liquor and Cannabis Distribution Branch? We just finished refreshing our Vision/Mission/Values – will this need to change?**

Inevitably, the new business operations for cannabis will require a suitable name – at this point though, it is too early to say. In the meantime, we are continually focused on our organization's vision statement, which applies broadly: *Service. Relationships. Results.*

- 5. How many more jobs will be added at the LDB to facilitate this?**

We are in the early stages of determining what the new business operations will look like, so it is too early to say. We will be searching for key personnel, including at the executive level, to support the project and the cannabis line of business. We will also require some specialized skillsets, and will be involving contractors to help move this project forward under the tight timelines.

6. Are we relocating to a different office space to support the addition of cannabis personnel?

We are actively seeking office space solutions to suit our immediate needs and future growth. We are sensitive to employees' concerns and are looking for locations that are in relatively close proximity to our current location and are accessible by major transit. We will continue to keep you apprised.

7. What is the mark-up/taxation model going to look like in BC for cannabis?

The mark-up/taxation for cannabis will be determined by the provincial government, in alignment with the federal government's requirements. We will provide more information as it becomes available.

8. Hasn't the LDB been working on this for quite some time? How come we are only finding out now?

The LDB is the only BC provincial government body with supply chain expertise for a regulated substance (liquor), so some employees have been involved in a provincial inter-ministry working group to provide policy advice and answer questions on the distribution options and the relevant legislation. Ultimately, this was government's decision to make, and we have now officially received this mandate.

9. What can I tell people who ask about what the government is doing with cannabis?

We have set up a designated webpage to which you can direct people to:

www.bcldb.com/cannabis.

Please stay mindful that as government employees, we are in the public eye. Our actions and behaviours on personal social media or in the open may attract public or media attention, and could unintentionally impact the reputation of the BC Public Service, including the LDB.

Wholesale

1. What does the LDB's announcement of becoming the wholesaler of non-medical cannabis mean to me as an employee in Wholesale operations?

It is the liquor business-as-usual for Wholesale liquor operations. Our focus is on customer service and ensuring our customers are receiving excellent and timely service.

2. Is a new line of business in wholesale cannabis at the LDB going to take away jobs from wholesale liquor?

No. We will be searching for additional personnel to support the cannabis operations we will be adding to the LDB. There may eventually be options for employees who wish to apply for a change, but we are still in the very early stages and this will take some time.

3. How can I apply to work at the cannabis warehouse?

As this information becomes available, we will share it with our employees.

4. Will cannabis products be warehoused in the Delta Distribution Centre (DDC) or Kamloops Distribution Centre (KDC)? Can we use the Vancouver Distribution Centre (VDC) once it moves to Delta?

The LDB intends to keep the supply chain for the two types of products, cannabis and liquor, separate. They are very different products with different requirements.

5. Why not use the vacant Vancouver Distribution Centre (VDC) as the cannabis warehouse?

We will be looking into feasible cannabis warehousing solutions, weighing out the pros and cons to location, cost, and accessibility to transportation routes, as well as security. When we have a clearer picture, we'll be sure to share it with everyone at the LDB.

6. Is this going to interfere or delay the relocation of the Vancouver Distribution Centre (VDC) to the new facility in Delta?

The *VDC On the Move* is still proceeding according to plan.

7. Who are the cannabis suppliers? How much are we expecting to warehouse?

At this point, it is too early to say. The federal government will retain control over the licensing of cannabis producers and the LDB would only acquire its supply from those who meet the federal government's requirements.

8. Who are the wholesale cannabis customers?

Government is still considering its options around cannabis retailers, but has indicated they are planning for private/public hybrid model, like we have with liquor. We will have more details in the new year.

9. Is the LDB going to be the wholesaler of medical cannabis as well?

No, medical cannabis will continue to be distributed by the federal government. LDB will only be wholesaling and distributing non-medical (recreational) cannabis, once it becomes legalized.

10. What can I tell people who ask about what the government is doing with cannabis?

We have set up a designated webpage to which you can direct people to:

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Retail

1. What does the LDB's announcement of becoming the wholesaler of cannabis mean to me as an employee in Retail operations?

It is the liquor business-as-usual for Retail operations. We remain focused on delivering excellent customer service to every customer who walks through our doors, and will wait to hear more from the government about their selected retail model.

2. Will BC Liquor Stores (BCLS) be selling cannabis? When will we find out?

Government is still considering its decision around cannabis retailers, but has indicated they are planning for private/public hybrid model, like we have with liquor. At this point, we don't know whether that would be a model where liquor sales and cannabis sales are co-located – we will have more details in the new year.

3. Other provinces are building brick-and-mortar cannabis stores. Will the LDB be doing the same in BC?

At this point, we don't have information beyond the government's indication of a private/public hybrid retail model. We will have more details in the new year.

4. Will we be selling cannabis through an e-commerce platform?

We are exploring e-commerce for liquor so we could also look at this as an option for cannabis if government selects us as the retailer.

5. What can I tell customers who ask about what the government is doing with cannabis?

We have set up a designated webpage to which you can direct people to:
www.bcldb.com/cannabis.

Please stay mindful that as government employees, we are in the public eye. Our actions and behaviours on personal social media, in the open, and when interacting with customers may attract public or media attention, and could unintentionally impact the reputation of the BC Public Service, including the LDB.

6. What can I tell local media if they ask to speak to somebody at the store about this recent government announcement?

Please direct all media inquiries to Head Office at 604-252-3029 or by email at communications@bcldb.com.

From: Dahlke, Cindy LDB:EX
Sent: Tuesday, December 05, 2017 12:31 PM
Subject: SPECIAL ANNOUNCEMENT: LDB appointed cannabis wholesale distributor by government
Attachments: 2017-12-05 - QA - Cannabis distribution model -external - FINAL.PDF

Sent on behalf of Blain Lawson

We encourage you to please share the following special announcement with your membership.

Valued Industry Partners,

As you may have heard, the government announced today that the LDB has been appointed the non-medical cannabis wholesaler for the province. The official press release can be read here: <https://news.gov.bc.ca/releases/2017PSSG0077-002017>

While the government is still considering its options related to the retail of cannabis, they have indicated they are planning to adopt a retail model that includes both public and private stores. At this point, it is not confirmed whether the retail model would involve liquor and cannabis sales from the same retail outlets, however we expect to have more details in the new year.

To ensure the LDB continues to fully support its core business of alcohol distribution, we will be creating a new and separate business operation to support the distribution of cannabis. The relocation of the Vancouver Distribution Centre to a new facility in Delta is still proceeding next year as planned.

We want to assure you our commitment to customer service and working collaboratively with our liquor industry partners remains the same. It is business-as-usual for LDB's liquor operations. There is a Q&A attached to this email as well, for your reference.

Now that government has provided a clear mandate to the LDB to move forward with cannabis distribution, we are mobilizing quickly to prepare for the July 2018 legalization date.

While we are committed to keeping our industry partners up-to-date as this initiative progresses, there will be questions we do not have answers to at the moment – we thank you for your patience as we work through the details.

For more information, please visit: www.bcldb.com/cannabis or email: cannabis@bcldb.com.

Regards,

R. Blain Lawson

General Manager and Chief Executive Officer,
BC Liquor Distribution Branch
2625 Rupert Street, Vancouver BC V5M 3T5
T: 604 252-3021

The LDB is proud to contribute over \$1 billion annually to the Province of British Columbia. Our contribution helps provide financial support for vital public services including health care and education.

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Government appoints the LDB as wholesale distributor of non-medical cannabis

Industry Partner / External Stakeholder FAQs

Last Updated December 5, 2017

General

1. Why has government appointed the LDB to be the wholesale distributor of cannabis?

The LDB has a proven track record in managing a safe, regulated supply chain for liquor. Having LDB-run distribution will help to support government's key priorities of protecting children and youth, ensuring health and safety standards, and keeping the criminal element out of cannabis.

2. Will the distribution of cannabis be a separate area of business from liquor?

Yes. In becoming the sole distributor and wholesaler of non-medical cannabis in the province of British Columbia, the LDB will be creating a separate business operation for cannabis.

3. Will the LDB acquire a new facility for cannabis distribution?

The LDB intends to set up a separate warehouse for cannabis distribution. Further information will be shared with our industry partners as it becomes available.

4. Will there be a delay to the relocation of the Vancouver Distribution Centre (VDC) to the new facility in Delta?

The relocation of the Vancouver Distribution Centre to a new facility in Delta is proceeding in 2018 as planned.

5. What will the mark-up/tax on cannabis be?

The mark-up/taxation for cannabis will be determined by the provincial government, in alignment with the federal government's requirements. We will provide more information as it becomes available.

6. Where can I get more information?

For information and updates, please visit: www.bclldb.com/cannabis or email: cannabis@bclldb.com.

For information from the federal government, please visit:

<http://health.canada.ca/en/services/health/campaigns/marijuana-cannabis.html>

Wholesale customers

1. If LDB is distributing cannabis, will this affect my business (i.e. delivery times)?

It is business-as-usual for LDB Wholesale operations. Our focus remains on customer service and ensuring our wholesale customers receive their orders uninterrupted.

2. Will we have the ability to purchase cannabis through the LDB to sell at our retail stores (i.e. wine stores, grocery stores, licensee retail stores, rural agency stores)?

The government is still considering its options related to the retail of cannabis, but has indicated they are planning to adopt a retail model that includes both public and private stores, similar to the model we currently have for the retail of liquor.

At this point, it is not confirmed whether the model would involve the co-location of liquor and cannabis sales. We expect to have more details in the new year.

3. Other provinces are building brick-and-mortar cannabis stores. Will the LDB be doing the same in BC?

At this point, we don't have more information other than government's indication of a private/public hybrid retail model. We will have more details in the new year.

4. How do I get a licence to sell cannabis?

The Liquor Control and Licensing Branch (LCLB) has expertise in managing the licensing, regulation and inspection of liquor retailers – this is something the provincial government may look at leveraging for cannabis retailers.

At this point though, government has only decided on a private/public hybrid model for retailers – decisions around whether those stores would be standalone cannabis stores or co-located with liquor are yet to be determined.



Suppliers and Manufacturers

- 1. Will this change impact my business in any way? Will it take longer for my product to get shipped to stores?**

It is business-as-usual for LDB Wholesale operations. Our focus remains on customer service and ensuring our wholesale customers receive their orders uninterrupted.

- 2. Will my liquor product be stored in the same facility as cannabis?**

The LDB will be creating a new and separate business operation to support the distribution of cannabis and we intend to setup a separate warehouse. When we have more information, we will be sure to share it with our industry partners.

- 3. Will third-party liquor warehouses be able to store cannabis in their warehouse? Will LDB be leveraging private distributors?**

We are still in the early stages of developing this model. The policy work on these issues is currently under way.

- 4. As a licensed BC liquor manufacturer, will I also be able to produce and directly sell cannabis to retail customers?**

Under the federal government's proposed Cannabis Act, all producers of cannabis or cannabis products will need to be federally licensed to operate.