

February 28, 2022

RE: Unsatisfactory Product Disposal Costs & Non-Compliant Packaging Rates

Dear Supplier,

Please be advised that effective April 3, 2022 (the beginning of NLC's fiscal year), the NLC's disposal fee charged on unsatisfactory product will increase to **\$5.50 Cdn per case** and NLC's hourly rate for non-compliant packaging or repackaging will increase to **\$75.00 per hour**. The administrative fee of \$50.00 will remain the same. The disposal fee is in addition to the landed cost of the product which is also charged for unsatisfactory product. The NLC's Terms and Conditions for Purchase referenced on NLC purchase orders will be updated to reflect these changes.

Since 2013, the disposal fee charged has been \$4.00 Cdn per case while the hourly rate has been \$50.00 per hour. The increase to \$5.50 Cdn per case and \$75.00 per hour is due to an overall increase in labor and operating costs over the past nine years including costs of receiving, warehousing, shipping and disposing of product. In addition, the NLC continues to dispose of the product in an environmentally friendly method whereby the liquid is converted into Ethanol, a renewable type of clean burning fuel, and the packaging is recovered and recycled. The cost of this has increased as freight and fuel surcharges and other surcharges have increased.

Please note that this disposal rate applies to product that the NLC disposes of due to the unsatisfactory nature of the product. If, due to repackaging or other processes, the product can be sold to customers, the NLC rate of \$75.00 Cdn per hour will be charged for the cleanup and repackaging of product (thus avoiding the charge of landed cost for product that is deemed to be saleable after repackaging).

Should you have any questions or concerns, please feel free to contact Rob Kieley (rob.kieley@nliquor.com / Tel: 709-724-1234) or Abe Pike (abe.pike@nliquor.com / Tel: 709-724-1273).

Regards,



Wally Dicks, CPA, CA
Chief Operating Officer

cc: Rob Kieley – Manager, Product Supply (International Markets)

Abe Pike – Senior Manager, Supply Chain