



Discover the World

FEB 06 2006

January 31, 2006

Linda Franklin
President, Wine Council of Ontario
110 Hannover Drive, Suite B205
St. Catharines, ON L2W 1A4

Dear Linda:

Thank you for the opportunity to meet with a few of your members to discuss the LCBO's environmental strategy, packaging innovations, and the LCBO's desire for the Ontario wine industry to participate fully in the trend toward alternative-format packaging for wine.

I was very pleased that those in attendance are interested in bringing forward new products, and participating actively in the LCBO's environmental strategy. I was particularly interested to hear that the Wine Council may be willing to reconsider its opposition to lifting the moratorium on new Bag-in-Box offerings for Ontario wine at the LCBO.

As I noted at the meeting, assuming the WCO were to indicate a desire for the LCBO to lift the moratorium for Ontario wine, the LCBO would be pleased to discuss a comprehensive strategy for the expansion of the LCBO's offering of Ontario wines in this format. I expect that the LCBO Wines Category would want to launch the expansion in a way that appeals to premium consumers, and is consistent with the global trend for premium varietal wines in this category.

Also, I'd like to clarify one point that I did not mention during my presentation. As I noted, it is very important for the LCBO to maintain a premium image for wines in alternative packaging, and therefore the Wines Category will not purchase any new products, including extensions of existing brands, that are not priced in the premium segment. However, Wines will replace any existing SKU if the supplier is proposing to completely convert from a glass to a non-glass format such as Tetra Pak for that SKU, regardless of its price positioning in the market.

I'll look forward to your response.

Sincerely,


Lyle Clarke

Project Lead, LCBO Environmental Strategy

c

T. Burns, J. Santos, T. Karakasis
A. Bristow, R. Davidson, M. Marshall, K. Nullmeyer