

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION

MANUFACTURER'S POLICY MANUAL
Winery, Distillery, Brew-Pub & Micro-Brewery Licensing

EFFECTIVE: May 31, 2007

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Chapter I applies to all manufacturers including wineries.

Chapter II provides additional direction and requirements for wineries only.

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CHAPTER I

GUIDELINES

GUIDELINES

Licensing Checklist

- Large Farm Winery Small Farm Winery Cottage Winery
Micro-Brewery Distiller's Brew-Pub

1.1 THE APPLICANT MUST SUPPLY ALL INFORMATION REQUIRED BY THE LICENSING CHECKLIST CONTAINED IN THE MANUFACTURER'S POLICY MANUAL, IN ITS FINAL FORM AT LEAST 21 DAYS IN ADVANCE BEFORE ANY APPLICATION IS CONSIDERED FOR LICENSING.

1. Application Form accompanied with \$300 non-refundable application fee.
2. Department of Agriculture and Land proof of approval 902-368-4815.
* Applies to Winery only. Submit Annual Production Verification For Wineries form.
3. Business Plan which includes:
 - a.) Structure of company/corporation: Board of Directors, President, etc.
 - b.) Floor plan with details showing fermentation, brewing or distilling area, storage room, and if applicable proposed retail and other areas of use for the premises.
 - c.) Description of products to be fermented, brewed or distilled and alcoholic strength.
 - d.) Method of distribution.
 - e.) Marketing plan.
 - f.) Size and type of containers.
 - g.) Production capacity of equipment and anticipated volumes.
 - h.) Quality control and description of metering devices to be used on equipment.
 - i.) Number of people to be employed.
 - j.) Capital costs, etc.
4. Areas to be licensed form with measurements.
5. Personal History Reports(s), Form #16:
 - a.) Applicant.
 - b.) All executives of the corporation.
 - c.) Person responsible for production and quality control.
6. Community approval - zoning and use.
7. Department of Environment, Water and Climate Change approval 902-368-5044.
8. Canada Revenue Agency (Proof of approval for Excise License) 1-888-327-7999.
* Issue Excise License and will assist with production questions.

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Licensing Checklist

9. Sample of all labels with UPC numbers.
 - * Self-assessment Labelling Requirements Checklist on CFIA website - www.inspection.gc.ca/
10. Proof of ownership or legal entitlement to occupy for the premises being licensed in the form of a lease or deed.
11. Complete copy of Letters Patent, Constitution and Bylaws, as applicable, if applicant is a corporation, club or association.
12. Resolution of meeting of Officers authorizing applicant to apply on behalf of the corporation, club or association.
13. List of Directors and Officers or List of Partners.
14. Certificate of Good Standing for Corporation (If applicant is a corporation).
Contact: Department of Justice and Public Safety 902-368-4509.
15. Indemnity Form.
16. Proof of compliance with the Fire Prevention Act.
Contact: Provincial Fire Marshal's Office 902-368-4869.
17. Proof of compliance with the Public Health Act.
Contact: Environmental Health 902-368-4970.
18. Workers Compensation Board confirmation were contacted 902-368-5562.
19. Proof of valid Responsible Beverage Service Certificate.

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Licensing Checklist

Once all information is received, a liquor inspector will complete an inspection prior to a final decision on your application. You will then be notified accordingly.

License Fee: All licenses subject to annual license fee.

Winery, Distiller's, Brew-Pub - \$400 each

Micro-Brewery - \$500

Off-site Retail Outlet Fee (Winery, Micro-Brewery, Distillery): \$100

Licensing questions contact Admin Assistant for Director of Corporate Services 902-368-5710.

1.2 PEILCC PRODUCT APPROVALS and REPORTING

- Moving through the licensing approval process it is also important to consult with the PEILCC on products to be approved and sold. For information on lab analysis and the PEILCC listing process contact:
 - * Category Manager for Wine 902-368-6671 or
 - * Category Manager for Beer and Spirits 902-368-6274
- Product pricing is based on PEILCC pricing policy. A fixed and variable mark up component is applied to your cost which is the PEILCC mark up.
- Manufacturers must provide a Certificate of Analysis from a lab recognized by the PEILCC on all products that are to be listed.
- Manufacturers will be required to file a monthly compensation report to the PEILCC which tracks your inventory, production and sales in addition to detailing the amount of commission owing to the PEILCC. Commission due to the PEILCC must be paid monthly in accordance with policy. Adequate records, to not only support amounts reported, must be maintained as manufacturers are also subject to audits by the PEILCC. For information on product pricing and reporting contact:
 - * Financial Analyst 902-368-5717.
- * Please refer to Section 2, Licensing and Ongoing Operations, Sub-sections 2.6, 2.7 and 2.8 for additional details on Listings, Record Requirements and Audit.

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Licensing and Ongoing Operations

Rationale: *To establish guidelines for the issuance of licenses and ongoing operation of manufacturers of beverage alcohol in the province.*

Authority: *Liquor Control Act Regulations - Sections 50.3(5), 50.5(3), 50.6(8) and 50.7(8).*

2.1 Definitions:

- a.) "alcoholic product" means beer over .5%, spirits or wine manufactured by a Manufacturer.
- b.) "beer" in this policy shall be the product of the alcoholic fermentation by yeast of an infusion of barley or wheat malt and hops or hop extract in potable water and shall be brewed in such a manner as to possess the aroma, taste and character commonly attributed to beer.
- c.) "brew pub" means a small capacity manufacturing facility of less than 2,000 hectolitres of beer per year where the primary business function is the sale and service of liquor for consumption in its adjacent, totally segregated licensed premises and in up to one additional licensed premises that is owned and operated by the brew-pub licensee.
- d.) "distillery" means a manufacturing plant to which a license has been issued by the Government of Canada and to which a license has been issued by the Commission and where liquor, other than beer or wine, is manufactured or blended and bottled for sale to the Commission or for export.
- e.) "manufacturer" means a manufacturing plant located in the Province of Prince Edward Island for the, manufacturing of beer in the case of a brewery, manufacturing or blending and bottling wine in the case of commercial winery and other liquor in the case of a distillery; to which a license has been issued by the Government of Canada and by the Prince Edward Island Liquor Control Commission.
- f.) "micro brewery" means a manufacturer of beer, where the primary business function is to sell packaged product to the PEILCC and thence to the general public through Liquor Stores or for export, and which manufactures less than 15,000 hectolitres of beer per year

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- (g) “plant site” means the land, buildings, machinery, apparatus and fixtures employed by a manufacturer in the manufacturing process at the location of a brewery, winery or distillery and includes land adjacent thereto; and;
- h.) “spirits” means a potable alcoholic beverage obtained from the distillation of an alcohol-containing liquid.
- i.) “store” means a Manufacturers’ Retail Store for either on-premises or off-premises sale of liquor.
- j.) "wine" means any liquor containing not more than 24.0% alcohol by volume which is produced by the natural fermentation of grapes or other fruit which cannot be defined as beer or spirits. All additives and processes (such as chaptalization with sugar), are permitted as allowed by the federal *Food and Drugs Act* and federal Excise Department. "Wine" includes but is not limited to wine coolers, table wine, still wine, sparkling wine, champagne and cider.
- k.) "winery" means a manufacturing plant to which a license has been issued by the Commission and where wine is manufactured or blended and bottled for sale to the Commission or for export. (See also Farm Winery Policy).

2.2 License Issuance Requirements:

- a.) The PEILCC may issue a license to a manufacturing operation provided it has a demonstrated technical capability of consistently producing quality beverage alcohol on a commercial basis.
 - 1.) Production capacity requirement:
 - up to 2,000 hectolitres (brew pub)
 - up to 15,000 hectolitres (micro-brewery)
 - OR
 - 2.) Minimum acreage requirement:
 - 10 acres of vineyard (large farm winery)
 - 3 acres but less than 10 acres of vineyard (small farm winery)
 - 3 acres of berries or fruit trees or 50 beehives (cottage winery)

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- b.) A Manufacturer may be allowed to operate upon receipt of a PEILCC license. The conditions as outlined on the license, the contents of the Policy Guidelines and any directives by the PEILCC along with the general provisions of the Liquor Control Act and Regulations are to be followed as they relate to the manufacturing, handling, distributing and selling of alcoholic products at the premises.
- c.) The Manufacturer may request for approval that a license include an on-site Hospitality Room and a Manufacturer's Retail Store, in addition to the Production/Storage Area.
- d.) Separate licenses will be required for the manufacturer of beer, spirits and wine.
- e.) The following information is required prior to the issuance of a license:
- 1.) Before submitting your Application to the Corporate Services Department, a preplanning stage must include contacting the federal government: Excise Canada for approval (federal licensing) and, for wineries only, the provincial government: Department of Agriculture and Land endorsement (certification).
 - 2.) A Business Plan including drawings of proposed Manufacturer must be submitted for approval by the PEILCC. Proposal should include the following:
 - Structure of Company: Board of Directors, President, etc.
 - Method of Distribution
 - Marketing Plan
 - Expected Volume of Business
 - Quality Control
 - Alcoholic Strength
 - Location of Facilities
 - Number of People to be Employed
 - Projected Market Penetration
 - Capital Cost, etc.
 - Written approval from city/town relative to their zoning, etc.

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- 3.) Quality control of all listed products must be approved by appropriate government departments in accordance with their standards. Type of package to be used requires approval by the Department of Environment, Water and Climate Change.

2.3 Premises

- a.) The Liquor Control Act Regulations and Commission Policies apply to all licenses issued.
- b.) The Manufacturer's facility must be maintained in a clean and sanitary condition as required by federal and provincial statutes and regulations or guidelines.
- c.) The production area and consumption/sales portion of the premises are to be separated by a full solid and/or glass wall.
- d.) Security of ingredients, final product and facilities is to be assured regarding burglary, sabotage and theft incidents.
- e.) The Retail Store and/or hosting/sampling areas be annually inspected by the Provincial Fire Marshal or his delegate and the limits as to number of persons permitted at any one time are to be posted and not to be exceeded.
- f.) Inspection and approval by the Department of Health & Wellness is required.

2.4 Indemnity

- a.) The Company shall indemnify the PEILCC of and from and against all actions, suits, claims and demands which may be brought against or made upon the PEILCC from and against all loss, costs, charges, damages and expenses which may be incurred, sustained or paid by the PEILCC arising out of the issuing of a license and the consumption of products pursuant thereto.

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INDEMNITY

TO: Prince Edward Island Liquor Control Commission (the "Commission")

_____ ("Licensee") acknowledges that it intends to operate a _____ pursuant to a License issued by the Commission.
(distillery/winery/brewery)

The Licensee hereby indemnifies and saves harmless the Commission from and against all causes, claims, actions, and demands, for all injuries and damages, arising from or related to the Licensee's operation of a _____, and all activities of the Licensee ancillary or related thereto.
(distillery/winery/brewery)

This Indemnity enures to the benefit and binds the Licensee and its successors and assigns.

DATED at _____, Prince Edward Island, this ____ day of _____, 20__.

Applicant

Witness

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Licensing and Ongoing Operations

2.5 Marketing

- a.) All external and media advertising are subject to the *Liquor Control Act* Regulations.

2.6 PEILCC Listings

- a.) May be acquired through the normal PEILCC Listing Policy. Application forms are available upon request and online at www.peilcc.ca All fees for 100% Island product will be waived.
- b.) Two samples of each product must be provided to the PEILCC along with a Certificate of Analysis from a quality assurance laboratory that is recognized by the Commission (i.e. Liquor Control Board of Ontario - LCBO or any other properly certified laboratory).

2.7 Record Requirements

- a.) Record keeping will be in accordance with generally accepted accounting practices and normal business practice and other such records required by the PEILCC including production records and price lists.
- b.) Methods of purchasing, calculating costs for pricing, accounting routines and required reporting procedures are to comply with PEILCC standards.
- c.) Conditions with respect to production records specified by Revenue Canada-Excise Department-must be adhered to.
- d.) Monthly remittance (unopened and opened product) based on volume sold through the Retail Store must be made to the PEILCC on Commission approved forms. Submission of monthly remittance must be received by the PEILCC by the 20th of each month. Late and/or incomplete submissions shall be subject to a 3 % service charge for each month.

2.8 Audit

- a.) The PEILCC, its servants or agents, shall be permitted at any time to enter the premises of the Manufacturer to ensure, to the satisfaction of the PEILCC, that the operations comply with the provisions of the Act, Regulations, Policies or directives of the PEILCC.

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- b.) The Manufacturer shall permit access to its records including stocking and sales reports, and premises in order to permit an audit by authorized personnel acting on behalf of the PEILCC.
- c.) The Manufacturer and its employees shall cooperate fully with the PEILCC, its servants, and agents.

2.9 Product Delivery

- a.) All alcoholic product for resale in PEI can only be shipped to the PEILCC
- b.) In the case where a manufacturer has more than one separate producing facility in the province of PEI, the transfer of product between facilities for the purpose of retail sales may be permitted under the following circumstances:
 - 1.) The transfer has received prior approval by the PEILCC.
 - 2.) The product requested to be transferred must be produced at both manufacturing facilities.
 - 3.) Each facility has been issued a license by the PEILCC and has retail store.
 - 4.) Each additional facility must be wholly owned by the principal owner of the originating manufacturing facility.
 - 5.) The product being transferred is produced and packaged in Prince Edward Island.
 - 6.) The volume of transfers cannot exceed the production volume of the same product at the facility receiving the product calculated on an annual basis.
- c.) In accordance with this policy it is not permitted for a liquor representative to deliver alcoholic products to a Licensee; therefore, such delivery by the Manufacturer's sales personnel is not permitted.
Exception: Direct delivery of keg products as may be approved by the PEILCC.

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2.10 Quality Control

- a.) Proper manufacturing techniques are to be followed ensuring that high standards of hygiene, quality and other requirements are ongoing . Applicable information is available on the website of Canada Food Inspection Agency - www.inspection.gc.ca
- b.) Production materials used by Manufacturer must meet Canadian Food and Drug standards.
- c.) The alcohol content of products manufactured by Manufacturer must fall within the current standard as specified by the Food and Drug Act.
- d.) For the first full year of operation the manufacturer must submit to the PEILCC the test results from a quality assurance laboratory recognized by the Commission on all products manufactured.

Note: After the first full year of operation the lab analysis requirements are:

- (a) New to be listed product - must be submitted; and
- (b) New but not to be listed product - not required but strongly recommended.

- e.) Manufacturers must package their products in suitable, approved containers.
- f.) All alcoholic product produced is to be properly and accurately measured before being sold. This is to be accomplished by accepted standards and/or federally, provincially approved systems. Production records for the Manufacturer will be inspected by PEILCC Inspectors.

2.11 General

- a.) Manufacturer staff are all to be at least the age of majority, in good health as required by other legislation and are not to consume any alcoholic product while on duty.
- b.) Alcoholic product is not to be consumed, given away or sold in the manufacturing portion of the Manufacturer’s facility.
- c.) Tours are permitted for the purposes of public relations and increasing public knowledge of the Manufacturer and its products; and for hosting, tasting, or sampling of products produced by the Manufacturer and purchased from the PEILCC. They are not to be used as an inducement, or the permitting of over-consumption or underage drinking. Tastings by individuals aged 19 years and older is permitted. Free snack food items complimentary to the product being sampled may be supplied to the tours.

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Licensing and Ongoing Operations

2.12 Retail Store Guidelines

a.) General Guidelines

- 1.) The PEILCC may approve a Manufacturer to operate one store at its manufacturing plant site or each of its plant sites in PEI as well as at one off site within the province. Such approval(s) will be noted on the license issued to the Manufacturer.
- 2.) No person other than a Manufacturer, the PEILCC or their agent will be permitted to engage in the retail sale of liquor in the province of PEI.
- 3.) The store is to be owned or leased by the Manufacturer.
- 4.) The store must operate under the license issued by the PEILCC to the Manufacturer.
- 5.) The store may sell:
 - (i) liquor products manufactured or blended and or bottles at the plant site;
 - (ii) wine, spirits and beer produced by other manufacturers licensed by the PEILCC; and
 - (iii) such other related non-alcoholic products as the PEILCC may approve.

Note: (a) Growlers of beer may also be filled at an off-site retail store.
- 6.) Sales that are permitted will be:
 - (i) for product made by the manufacturer - by unopened container, the glass or opened container; and
 - (ii) for product not made by the manufacturer - by unopened container only excluding growlers.

Notes: (a) Product must be purchased from the PEILCC.
 (b) Opened container is not permitted to leave the premises.
 (c) Opened container sales restricted to standard sample/tasting sizes and servings as stipulated on Page No. 1.3.
- 7.) Stores shall be constructed and maintained at the Manufacturer's expense and in a manner and condition satisfactory to the PEILCC.

b.) Joint Retail Store

- 1.) The PEILCC may approve Manufacturers to operate a joint off site retail store. Such approval will be noted on the license issued to each participating Manufacturer.
- 2.) Manufacturers will be held equally accountable on the provisions and requirements for the licensing and functioning of the store.

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- 3.) General Guidelines (see 2.12 a.) apply with the following exception:
 - (i) Where singular Manufacturer and plant site is referenced plural shall be applicable;
- 4.) Manufacturers who are operating a joint off site retail store are NOT eligible to have their own off site retail store.

c.) Farmer's Market

- 1.) The PEILCC may approve a Manufacturer(s) to operate an off site retail store at one or more recognized Farmer's Market locations. Ferries operated by Northumberland Ferries Ltd. between PEI and Nova Scotia will be considered a Farmer's Market site for purposes of this policy. If approved the Manufacturer is still eligible to be considered for an off site retail outlet in accordance with 2.12a and b.
- 2.) General Guidelines (2.12 a.) and Joint Retail Store (2.12 b.) apply with the following exceptions:
 - (i) Sales are to be by unopened container only.
 - (ii) Opened container sales, including by the glass, are not permitted.
 - (iii) Tastings or sampling of product is permitted at the booth of the Manufacturer provided management of the Farmer's Market is in agreement. Allowed tasting amounts per Hospitality Room (Section 3.1)
- 3.) A Winery that has received PEILCC authorization for temporary relief from the prescribed PEI content requirements is not permitted to operate an off site retail store at a Farmer's Market during this special approval.

d.) Hours of Sale

- 1.) The maximum allowable hours of operation for the store (on site and off site, except Farmer's Market) are:
 - (i) Monday-Saturday, 9:00 a.m. - midnight.
 - (ii) Sunday, 12:00 p.m. - midnight.
- 2.) Hours of operation for a Farmer's Market site will be set by the PEILCC.

e.) Employees

- 1.) The Manufacturer shall comply with all applicable laws respecting employment, health & safety of store employees.
- 2.) All store employees who handle or sell products on the store premises shall be at least the age of majority.

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- 3.) It is recommended that store employees possess a valid Responsible Beverage Server Certificate. Licensees and employees who sell product by the glass or opened container or conduct tasting/sampling sessions must have a valid Certificate.

f.) Termination

- 1.) The PEILCC may terminate the approval to operate a store at any time if, in its opinion, the operation of the store is unsatisfactory or if the Liquor Control Act or the Regulations and directives of the PEILCC have been contravened.

g.) Sales, Pricing and Listing

- 1.) Opened container sales of spirits is not permitted - wine and beer only.
- 2.) All liquor produced is to be properly and accurately measured before being sold. This is to be accomplished by accepted standards and/or federal, provincial approved systems.
- 3.) PEILCC Pricing Policy requires that at no time can the retail price of unopened product sold through the manufacturer's store fall below the retail price established by the PEILCC:
 - (i) Liquor not listed by the PEILCC shall be sold at such prices as the PEILCC may approve. Approval of the price shall be deemed to be a listing for the store only. Liquor listed by the PEILCC shall not be sold for less than the PEILCC's approved price.
 - (ii) Manufacturers' Retail Stores shall not sell liquor to licensees.
- 4.) Sales by the glass or opened container shall meet the minimum selling price in accordance with PEILCC Product Pricing Policy.
 - (i) Minimum selling price for a standard serving is \$3.05 plus HST = \$3.50. Standard Serving:
 - Beer 341 ml(12 oz)
 - Wine 142 ml (5 oz)
 - Spirits 42.6 ml (1.5 oz)
 - Coolers 341 ml(12 oz)

Draught Beer 227.2 ml (8 oz) minimum price \$1.25 plus HST
 - (ii) Bottle of Wine
Minimum price to be charged shall be at least what General Public would have paid to the Commission for the bottle of wine plus taxes.

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- 5.) Food should be available when holding tastings or selling opened product.

2.13 Store Operations

- a.) The Manufacturer shall make returns to the PEILCC on forms prescribed by the PEILCC, showing accurately all information required thereon respecting the sale of products, proceeds from such sales, the inventory held in the store, including the monthly inventory report, and any other information which the PEILCC may deem necessary.
- b.) Liquor shall not be consumed on the premises of the store, except as authorized by PEILCC policy, or be given away, or, be sold in the storage area of the store.
- c.) The PEILCC may approve a tasting area in the store which has a Hospitality Room.
- d.) The Manufacturer shall not sell products to a person who is intoxicated.
- e.) The Manufacturer shall not sell liquor to a person under the legal drinking age of majority.
- f.) The Manufacturer is responsible to adhere to the Liquor Control Act, Regulations, PEILCC Policies and directives.

2.14 Viewing and Measurement

- a.) Public observation of the liquor making apparatus through a viewing window in the store is permitted. No one other than the Manufacturer's employees are allowed entry to the manufacturing area except persons touring the plant accompanied by Manufacturer's employees.

2.15 Out of Province Alcohol Purchasing

- a.) Importation of finished alcohol in bulk form (wine/spirit):
 - 1.) License holder contacts PEILCC requesting order.
 - 2.) PEILCC contacts the supplier and places order.
 - 3.) At the time of order confirmation, it must be paid for in full by the License holder to the PEILCC.

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- 4.) Supplier direct ships the order to the License Holder (freight collect).
 - 5.) Supplier invoices the PEILCC.
- b.) Importation of pure alcohol for manufacturing:
- 1.) PEILCC will be copied on all orders for pure alcohol
 - 2.) PEILCC purchasing department will approve orders as required
 - 3.) Product is shipped directly to the customer
 - 4.) Customer is responsible for all charges (invoice/freight, etc.)

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Licensing and Ongoing Operations

2.16 Contract Manufacturing

Contract manufacturing in association with an entity/individual who may be the owner of a liquor trademark, but does not hold a distiller's, micro-brewery or winery license issued by the PEILCC is permitted under the following terms and conditions.

- a.) One of the parties must be appropriately licensed by the PEILCC.
- b.) A manufacturer licensed by the PEILCC may manufacture a product for an entity/individual provided that all of these requirements are met by the license holder:
 - 1.) Submits a lab analysis to the PEILCC.
 - 2.) Files a listing application to the PEILCC if the product is to be sold in PEILCC stores.
 - 3.) Obtains PEILCC approval on selling price.
 - 4.) Owns the liquor until sold.
 - 5.) Stores the liquor at the licensed manufacturing premises and it is under the licensee's care and control at all times.
 - 6.) Conducts any advertising or promotion of the product which includes social media.
 - 7.) Product must include the licensed manufacturer's name and location on the label in a manner that clearly identifies the licensee as the manufacturer.
 - 8.) The license holder can only manufacture the type of liquor that is associated with the license issued by the PEILCC.
- c.) The manufacturer may employ the entity/individual who has requested the liquor to be manufactured as a marketing representative.

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2.17 Cider Mark-Up Allowances

1. PEILCC Licensed Suppliers

(i) Cottage Winery License / Large Farm Winery License

- Has minimum 3 acres of apples
- Meets minimum 90% PEI apple content requirement
- Overall content is 100% Canadian apples
- Produces 5,000 hectolitres or less of cider per year

- Sold at PEILCC liquor store 19.00%
- On site sale to general public 0%
- Direct sale (only kegs and growlers) to Licensee \$0.25 per Litre

(ii) Micro-Brewery License / Distiller’s License / Large Farm Winery License

- Does not have required minimum 3 acres of apples or any apple acreage
- Overall content must be 100% Canadian apples
- Produces 5,000 hectolitres or less of cider per year
- Must add grain to recipe

(a) with at least 90% PEI apples content

- Sold at PEILCC liquor store 19.00%
- On site sale to general public \$0.25 per Litre
- Direct sale (only kegs and growlers) to Licensee \$0.25 per Litre

(b) less than 90% PEI apples content

- Sold at PEILCC liquor store 36.45%
- On site sale to general public \$0.25 per Litre
- Direct sale (only kegs and growlers) to Licensee \$0.25

2. PEILCC Licensed Non Craft Suppliers

- Produces more than 5,000 hectolitres of cider per year regardless of license type

- Sold at PEILCC liquor store 104.50%
- On site sale to general public \$0.25 per Litre
- Direct sale (only kegs and growlers) to Licensee \$0.25

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Licensing and Ongoing Operations

3. Tax Calculations

Provincial Health Tax

- 25% of the sum of the following:
 - Landed cost
 - Minimum mark up (if applicable)
 - Mark up

Harmonized Sales Tax

- 15% of the sum of the following:
 - Landed cost
 - Minimum mark up (if applicable)
 - Mark up
 - Provincial Health Tax

2.18 Spirits Mark Up Allowances

1. General Criteria:

- (i) “Craft Distillery” means a distillery that has an annual production of 500 hectolitres (50,000 Litres) or less of finished spirits product.
- (ii) Once a distiller crosses the 500 hectolitres threshold they will lose their Craft Distillery status and will be treated as a commercial distiller and will no longer be eligible for a “Craft” mark up.

2. Definitions

- (i) Blended – not distilled on site, means the blending of two or more alcohol products not distilled by the manufacturer or blending other inputs into alcohol not distilled by the manufacturer, including infusions.
- (ii) Distilled – defined as a beverage alcohol that has been concentrated through a process of distillation. Must be subject to at least one distillation process at the Licensed manufacturer.

3. Spirits Mark-Up Allowances:

Spirits coolers and other highly processed products that would be classified as a Ready-To-Drink by PEILCC are not eligible for this mark-up exemption.

(i) Craft-distilleries

- Product manufactured in PEI by distillation or blending products not distilled on site and sold to PEILCC
- Produces 500 hectolitres (50,000 Litres) or less annual production on site
- Sold to PEILCC at case priced marked up by rate of 36.45% of landed cost, Provincial Health Tax 25% and deposit.
- On site sale to general public – monthly remittance to PEILCC of 5% mark up, Provincial Health Tax 25%, and deposit.

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Licensing and Ongoing Operations

(ii) Non Craft-distilleries (Commercial Distiller)

- Product manufactured on site and sold to PEILCC
- Produces more than 500 hectolitre (50,000 Litres) annual production
- Sold to PEILCC at general listed mark up at a rate of:

(iii) Domestic:

- Flat Rate: \$9.37 per litre
- Commercial Component: 40.80% of landed cost, Provincial Health Tax 25%, and deposit.

(iv) Imported:

- Flat Rate: \$9.62 per litre
- Commercial Component: 40.80% of landed cost, Provincial Health Tax 25%, and deposit.

2.19 Ready To Drink Mark Up Allowances

1. General Criteria:

- (i) "Craft Distillery" means a distillery that has an annual production of 5,000 hectolitres (500,000 Litres) or less of finished Ready To Drink (RTD) product.
- (ii) Once a distiller crosses the 5,000 hectolitres threshold they will lose their Craft Distillery status and will be treated as a commercial distiller and will no longer be eligible for a "Craft" mark up.

2. Definitions

- (i) Blended – not distilled on site, means the blending of two or more alcohol products not distilled by the manufacturer or blending other inputs into alcohol not distilled by the manufacturer, including infusions.
- (ii) Distilled – defined as a beverage alcohol that has been concentrated through a process of distillation. Must be subject to at least one distillation process at the Licensed manufacturer.
- (iii) Ready To Drink - packaged beverages that are sold in a prepared form and are ready for consumption.

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Licensing and Ongoing Operations

3. RTD Mark Up Allowances:

(i) Local Craft RTD Producers

- Product manufactured in PEI by distilling or blending local craft products on site and sold to PEILCC
- Produces 5,000 hectolitres (500,000) or less annual production on site
 - Sold to PEILCC at case priced marked up by a rate of 36.45% of landed cost, Provincial Health Tax 25%, HST and Deposit.
 - On site sale to general public - monthly remittance to PEILCC of 5% mark up, Provincial Health Tax 25%, and deposit.

(ii) Blended/Craft RTD Producers

- Product manufactured not in PEI by distilling or blending and/or manufactured in PEI and blending one or more non-craft alcoholic products and sold to PEILCC
- Produces 5,000 hectolitres (500,000) or less annual production on site
 - Sold to PEILCC at case priced marked up by a rate of 70% of landed cost, Provincial Health Tax 25%, HST and Deposit.
 - On site sale to general public - monthly remittance to PEILCC of 5% mark up, Provincial Health Tax 25%, and Deposit.

(iii) Non Craft-Distilleries (Commercial Distiller)

- Produces more than 5,000 hectolitres annual production
- Sold to PEILCC at general listed mark up at a rate of:
 - RED equal to or less than 7% alcohol: 104.50% of landed cost, Provincial Health Tax 25%, HST and Deposit.
 - RTD greater than 7% and less than 14% alcohol: 128.00% of landed cost, Provincial Health Tax 25%, HST and Deposit.

2.20 Beverage Distribution Registration Form

All Manufacturers who will be selling product on-site at the licensed premises or at an approved off-site retail outlet including Farmer’s Markets must complete a Beverage Distributor Registration Form with the Department of Environment, Water and Climate Change. **Form on next page.**

2.21 Harmonized Sales (HST) Registration

Canada Revenue Agency (CRA) requires Manufacturers at a certain sales threshold to register and collect HST on all sales. Manufacturers are advised to contact CRA - phone #1-800-959-5525 for particulars.

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Environment, Water and Climate Change

Beverage Distribution Registration Form

The information on this form is collected under section 9 of the *Beverage Containers Act* and will be used for registering distributors who import or distribute beverage containers on Prince Edward Island. If you have any questions about this collection of information, you may contact Director of Environment Division, Department of Environment, Water and Climate Change, PO Box 2000, 11 Kent Street, Charlottetown, PE C1A 7N8 Tel: 902-368-5474

Distributor Name:	Location:
Mailing Address:	Telephone: _____ Fax: _____ Email: _____ Contact Person: _____

Collection System

Will Encorp Atlantic be managing your containers? Yes No
If you answered "Yes", please skip to question 4 below.

If containers are to be managed in a manner independent of Encorp Atlantic, please complete the following questionnaire.

- Describe the means of retrieving empty beverage containers from beverage container depots.

- List the facilities used for refilling or recycling your empty beverage containers.

3. Describe the means of delivering empty beverage containers to the refilling or recycling facility.

4. Are containers packaged or held together in such a way as to present danger to wildlife?

Date: _____

Signature: _____

Markings/Labeling

All Beverage Distributors are required to register each product sold on Prince Edward Island, by completing a Beverage Container Registration Form. The form will identify the following information required under the *Beverage Containers Act*:

- (1) Return for refund message
- (2) Product name
- (3) Type and size of container

Distributors must submit an actual sample, or clear photocopy or PDF file image of the labeling for each individual product registered on the Beverage Container Registration Form.

A copy of the Beverage Container Registration Form is available for download at: www.gov.pe.ca/photos/original/bcms_re.pdf or by visiting our website at www.beveragecontainers.pe.ca

All labeling must meet the requirements of the PEI *Beverage Containers Act*, and regulations under this act.

Return this form to: Beverage Container Coordinator
Department of Environment, Water and Climate Change
PO Box 2000, 11 Kent Street
Charlottetown, PE C1A 7N8
Telephone: 902-368-5474 Fax: 902-368-5830
Email: beveragecontainers@gov.pe.ca

www.beveragecontainers.pe.ca

2.22

ANNUAL PRODUCTION VERIFICATION

Production Year: _____

Name of Licensed Premises: _____

Owner: _____

License Type: _____

Production Volume In Litres:

Beer _____

Wine _____

Spirits _____

Cider _____

Ready To Drink _____

I, _____ do solemnly declare that the above particulars furnished by me are true and correct.

Signature: _____ **Date:** _____

This Form must be completed and accompany the Annual License Renewal Form.

If a premises holds more than one type of manufacturing license, a separate form for each license type must be completed.

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Rationale: *To define use requirements for a Hospitality Room licensed under the Liquor Control Act Regulations.*

Authority: *Liquor Control Act Regulations - Sections 50.3(5), 50.5(3) and 50.7(10).*

3.1 Requirements regarding a Hospitality Room are:

- a.) Must be located on the premises of the manufacturer in a properly designed and equipped area approved by the PEILCC where privacy and control can be maintained.
- b.) The Manufacturer shall comply with the hours of operation as determined by the PEILCC.
- c.) Hospitality Rooms are permitted for the purpose of hosting, tasting or sampling of products produced by the manufacturer. They are not to be used as an inducement for the selling of products or the permitting of over-consumption or underage drinking.
 - 1.) Sampling, hosting or tasting may be offered to groups or organizations that have made prior arrangements with the manufacturer for an information session or a tour of the premises.
 - 2.) Contents of a standard sample/tasting must not exceed 6 servings.
 - 3.) Standard sample/tasting:
 - Wine: 1 oz/30 ml
 - Spirits: 1/4 oz/ 7 ml to 3/4 oz/22 ml of non-alcohol in a 1 oz sample (3 to 1 ratio of a non-alcohol mix)
Note: To sample product neat (without mix) - 1/2 oz/15 ml
 - Beer: 1 oz/30 ml; or
5 oz/150 ml - 2 servings if in conjunction with an all inclusive priced tour
 - 4.) If the manufacturer serves a sample/tasting containing liquor in a smaller or larger volume than the standard size the number of samples/tastings shall increase or decrease in direct proportion to the decrease or increase in volume of the liquor contained in that beverage.

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GUIDELINES

Hospitality Room

- 5.) Samples cannot be taken from the Hospitality Room, unless approved by the PEILCC.
 - 6.) If the Manufacturer uses re-usable utensils for serving, the hygiene requirements of the Department of Health & Wellness must be followed.
 - 7.) Drunkenness is not permitted.
- d.) The Manufacturer shall not:
- 1.) Permit gambling or the use of any game of chance.
 - 2.) Employ any person under 19 years of age.
 - 3.) Allow entry by minors unless accompanied by parent or guardian.
 - 4.) Provide alcohol to anyone who appears intoxicated.
 - 5.) Allow liquor to be taken from the Hospitality Room.
 - 6.) Permit any form of entertainment unless prior PEILCC approval is received.
- e.) The premise shall have a fully qualified person to supervise during periods of use.
- f.) The Hospitality Room supervisor cannot consume alcohol while on duty.
- g.) Tours are not allowed during bottling or at a time when contamination could occur. If product is fermenting in a closed vessel tours are permissible.

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CHAPTER II

FARM WINERY POLICY

FARM WINERY POLICY

Winery Classifications and Requirements

Rationale: *To encourage investment in a wider range of agricultural resources in the province and ultimately encourage the production of wine made from locally grown grapes consistent with the Liquor Control Act, Regulations and Policies (including Manufacturer's Policy Manual) of the Prince Edward Island Liquor Control Commission (PEILCC) for a licence.*

Authority: *Liquor Control Act - Section 7.(l); and
Liquor Control Act Regulations - Section 50.3*

1.1 Objectives:

This "Winery" Policy is intended to:

- Provide a favourable economic and regulatory climate for the development and expansion of the agricultural resources of PEI through the application of wine content guidelines;
- Provide provisions that will enable "Farm and Cottage Winery" operations to become more viable and to further develop their businesses leading to the creation of more jobs;
- Provide the potential for tourist industry development associated with the "Farm Winery" operation;
- Develop an expanded market for Prince Edward Island agricultural products;
- Allow PEI farms to create related value-added, quality products; and
- Promote rural development.

1.2 Definitions:

- a.) "Acre" means an area of 43,560 sq ft planted to the recommended density of the fruit variety.
- b.) "Classification" for a farm winery will be dependent upon the number of certified vineyard/produce acres:

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FARM WINERY POLICY
Winery Classifications and Requirements

- **Large Farm Winery** - refers to a winery which has entitlement to a minimum of ten acres of verified vineyard of which at least two acres are located adjacent to the winery with the following requirements:
 - i) Grape wines must be 100% Canadian content of which the minimum percentage of PEI content is as per the Content Schedule (see 1.4); and
 - ii) Fruit wines 90% PEI content.

- **Small Farm Winery** - refers to a winery which has entitlement to a minimum of three acres but less than ten acres of verified vineyard of which at least two acres are located adjacent to the winery which may be approved with the following restrictions:
 - i) For every acre grown on site the winery can grow or contract one acre off site in Prince Edward Island;
 - ii) 100% Canadian content of which a minimum must be 90% Prince Edward Island content for all wines manufactured;
 - iii) May not produce fruit or honey wines; and
 - iv) Upon expanding to at least ten acres on site, the Small Farm Winery may apply to become a Large Farm Winery but must not fall below a 75% PEI content requirement.

- **Cottage Winery** - refers to a winery located on the principal farm premises making wines from fruit other than grapes, or making wine from other agricultural produce which may be approved with the following restrictions:
 - i) A minimum of three acres of verified berries or fruit trees of which at least two acres are located adjacent to the production facilities. An exemption may be granted for specialty fruit.

or

A minimum of 50 bee hives are required for the production of mead.
 - ii) 90% PEI content for all fruit and honey manufactured; and
 - iii) May only produce products to the type grown.

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FARM WINERY POLICY
Winery Classifications and Requirements

- c.) “Farm winery” means a winery located in Prince Edward Island which produces wine from locally grown produce.
- d.) “Farm Winery Policy Monitoring Committee” means a working group consisting of a representative from:
- PEI Liquor Control Commission
 - PEI Department of Agriculture and Fisheries
 - PEI Business Development
 - PEI Tourism
- and any other individual or individuals, which may be added from time to time by the PEILCC.
- e.) “Hive” means a complete hive unit consisting of a hive stand, bottom board, brood chamber consisting of upwards of ten frames, at least one honey super, an inner cover and a hive cover.
- f.) “License” means a license issued annually by the PEILCC for the sale, storage or manufacture of wine. An application may be made for the following license:
- large farm winery
 - small farm winery
 - cottage winery
- g.) “Prince Edward Island Farm Winery Policy” means the Policy respecting farm and cottage wineries, as prescribed from time to time by the PEI Liquor Control Commission and the Farm Winery Monitoring Committee.
- h.) “Wine” means any alcoholic beverage obtained by the fermentation of the natural sugar contents of fruits, including grapes, apples, or other agricultural products containing sugar, including honey.

1.3 Responsibilities:

Prince Edward Island Liquor Control Commission

- The Corporate Services Department will process applications for a winery license;
- As the administrator of the Winery Policy and as a member of the Winery Policy Monitoring Committee may recommend changes in policy and regulations to the committee for its consideration;

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FARM WINERY POLICY
Winery Classifications and Requirements

- Appoint the Monitoring Committee; and
- Work with the Department of Agriculture and Land to ensure that the winery classifications and production verifications are met.

Prince Edward Island Department of Agriculture and Land

- Operating through the Winery Monitoring Committee ensures that the policy reflects rural development;
- Provide appropriate technical, educational and scientific support for the industry;
- Support the establishment of an operator association that may be formed to address issues of mutual interest;
- Verify the eligibility requirement of applicants for a license initially and over time through the “Annual Verification of Production”; and
- Work with the Department of Economic Growth, Tourism and Culture to help the wineries recognize and develop their potential as an agritourism product.

Farm Winery Monitoring Committee

- Ensure that the economic and development provisions and objectives of this policy are being met;
- Monitor the industry;
- Act as a facilitator and arbitrator for the on-going development of the policy;
- Serve as a link between the various individual industry and government interests; and
- Act as a catalyst to ensure research and development mechanisms are in place.

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FARM WINERY POLICY
Winery Classifications and Requirements

1.4 Prince Edward Island Content Requirements

Farm Wineries will be required to have a minimum percentage of PEI grape content.
Prince Edward Island Percentage Grape Content Schedules
(100% Canadian Content)

Year	Large Farm Winery - Existing
2015	60%
2016	65%
2017	70%
2018 & beyond	75%

Year	Large Farm Winery - New
1	51%
2	55%
3	60%
4	65%
5	70%
6	75%

Year	Small Farm Winery - Existing and New
All years	90%

- a.) Under the Schedule the percentage content is based on 1 tonne of Prince Edward Island grapes equivalent to 900 L of finished wine.
- b.) The percentage content calculated annually is the ratio of the total amount of wine produced exclusively from the previous year's harvest of PEI grown grapes to the total amount of wine subject to the revenue sharing mark-up allocation.
- c.) The revenue sharing on all sales of grape-based products through the retail store of Farm Wineries at the time of coming into force of this policy shall be subject to applicable federal/provincial and municipal taxes.

FARM WINERY POLICY
Winery Classifications and Requirements

- d.) The revenue sharing mark-up allocation of 95% to the PEI Farm Winery and 5% of the mark-up, 100% of the provincial health tax, and 100% of the deposit to the PEILCC on grape wine products shall be based on the wholesale price.
- e.) A farm winery that uses domestic imported grapes or grape product in the manufacture of wine shall do so in combination with PEI grapes or grape products.
- f.) No farm winery shall, in any year, add domestic imported grapes or imported grape products into wine without notifying the PEILCC in writing of its intentions to do so.
- g.) Failure to meet the annual percentage content in the Schedule and excluding crop failure conditions stated in the above clause would cause a review by the PEILCC with the licensee.
- h.) The Schedule is subject to a 12 month tolerance at the discretion of the PEILCC upon recommendation from the Farm Winery Monitoring Committee to allow for poor crop conditions and under conditions of province-wide crop failures this time frame is subject to review by the Committee and PEILCC approval.

1.5 Application Requirements Summary

a.) Large Farm Winery

- Minimum ten acres of certified vineyard must be under cultivation
- Building and equipment approvals from federal and provincial authorities on the winery
- Other approvals and documents as required by the PEILCC

At such time ALL of these requirements are met the PEILCC will consider receiving an application for a Large Farm Winery.

b.) Small Farm Winery

- Minimum three acres of certified vineyard must be under cultivation
- Building and equipment approvals from federal and provincial authorities on the winery
- Other approvals and documents as required by the PEILCC

At such time ALL of these requirements are met the PEILCC will consider receiving an application for a Small Farm Winery.

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FARM WINERY POLICY
Winery Classifications and Requirements

c.) Cottage Winery

- Minimum of three acres of berries or fruit under cultivation, or 50 bee hives in production
- Building and equipment approvals from federal and provincial authorities on the winery
- Other approvals and documents as required by the PEILCC

At such time ALL of these requirements are met the PEILCC will consider receiving an application for a Cottage Winery.

Note: Please refer to appropriate sections in the Manufacturer's Policy Manual for more details.

1.6 Conditions for Issuance of License

The PEILCC may issue a license to a winery operation provided it meets the following conditions:

- local grape content adheres to the guidelines under the "PEI Content Requirements";
- sales shall be determined by inventory and total sales records over a fiscal year from April to March inclusively;
- completes the "Annual Verification of Production" issued by the Department of Agriculture and Land. The statement will provide the following:
 - winery registration number of the winery;
 - verified acres/number of hives; and
- other conditions as may be set out in the Liquor Control Act, Regulations or Commission Policies.

Required fees and completed application form including any updating of the PEILCC of changes from the original application must be supplied each year.

1.7 Product Delivery

The method of delivery of farm winery products to PEILCC stores shall be determined by the PEILCC.

The sale or transfer of PEI bulk wine or juice between wineries or between them and any other manufacturers of alcoholic beverages is generally not permitted. Only large farm wineries with Excise License certification will be allowed to carry out such sales or transfers.

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FARM WINERY POLICY
Winery Classifications and Requirements

In each situation, the facts of the matter, the methods of controlling and segregating the products in question and availability of authenticating data for audit, must be maintained and readily available for possible review by Revenue Canada-Excise Department or the PEILCC. Terms and conditions for Manufacturers/Bottlers include the following:

- ensure their client's 'products' 'security', 'purity' and 'non-mix' or involvement with other products;
- maintain records to demonstrate the origin and amount of finished product and bottles or other containers used and associated shipping transportation records;
- allow audit of these records; and
- ensure the foregoing terms and conditions and other pertinent policies and regulations are followed as a public commitment in a fair and proper manner.

1.8 General

The winery may sell wine related products and/or local PEI farm products and crafts (this does not include the sale, promotion or transfer of any other alcohol based products).

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Agriculture -

**ANNUAL PRODUCTION VERIFICATION
FOR WINERIES**

Production Year: _____

Name of Winery: _____

Owner/Proprietor: _____

Address: _____

Winery Registration Number: _____

The Prince Edward Island Department of Agriculture and Land has reviewed the operations of the Winery indicated above relative to the spirit and intent of the Farm Winery Policy and confirms that:

- a production plan has been reviewed with the owner/proprietor
- verification of acres of vineyards/fruit crops/bee hives that the farm winery either owns directly or is having contracted off-site.

Grape/Fruit Variety	Year Planted	Number of Acres
_____	_____	_____
_____	_____	_____
_____	_____	_____
	Total Acres	_____

Number of Hives _____

The operation complies with the acreage requirements as outlined in the winery classification and requirements section of the PEI Liquor Control Commission's Manufacturer's Policy Manual.

This winery qualifies as a _____ (type of winery) as described in the PEI Liquor Control Commission's Manufacturers Policy Manual.

PEI Department of Agriculture and Land Representative

Date

For Office Use Only

This application will be submitted to the Prince Edward Island Liquor Control Commission.

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