



OPERATING AGREEMENT

STEP 1: OPERATING AGREEMENT AND EXHIBITS

State law requires the terms of the relationship between the VWDC and its winery “customers” to be set out in writing. Enclosed, please find an Operating Agreement that you must sign and return to VWDC prior to being able to do business with VWDC. Please understand that your winery’s workers will act as Agents of an independent wholesaler, VWDC. Each person’s actions can jeopardize the wine wholesale license of VWDC and every other winery’s ability to use VWDC. Therefore, there will be rigid enforcement of all terms of this Operating Agreement. Please note that there are **six Exhibits attached to the Operating Agreement. The information requested in these Exhibits MUST be provided** to VWDC before your Agreement can be submitted to ABC.

Please complete and sign the enclosed Operating Agreement with attachments and email to the VWDC Operations Manager (staci.saunders@vdacs.virginia.gov), or mail to the attention of the VWDC Operations Manager at 102 Governor Street, Richmond, VA 23219 be sure to retain a copy for your records.

Exhibit 1 - Operating Rules with more details and practical advice about doing business with VWDC. The VWDC website is also available (www.vwdc.org)

Exhibit 2 - VWDC Agents & Contact Information: List all winery workers capable of acting as VWDC Agents along with their title at the winery, business phone, fax, and cell phone.

Exhibit 3 – Bank/Electronic Funds Transfer Information – List the information for the account you will use for electronic funds transfer: bank name, branch location, phone, contact name, and account number.

Exhibit 4 - Winery Customer List. This will be the list of retail licensees you intend to sell to, including the establishment name, ABC license #, Address/Location, contact name, and phone number. If you have no customers at this time, you will simply put “No Customers at this Time” under the Exhibit 4 heading.

Exhibit 5 - VWDC Territory. The designated primary areas of responsibility for your VWDC distribution. This may be as many or as few counties/cities as you wish- just remember, if you list all counties/cities in the state and later decide to use another distributor for specific counties, you will have to amend your VWDC license to release those counties. If you have an existing distributor, ensure there is no overlap in sales territory between it and VWDC.

Exhibit 6 - Wines & Price List. A list of all wines to be distributed through VWDC, including the wine name and year, ABC sales code, and recommended wholesale case pricing to include Virginia wine excise tax.

STEP 2: DESIGNATE WHOLESALER SPACE

One of the conditions of this license is that each winery must establish a space located at the address of the ABC licensed winery address designated as the VWDC “Licensed Space.” ABC may inspect the space prior to licensure to ensure that it is a separate and secure area in which all wine sold through VWDC will come to rest. Examples would be a locked closet, or a chain link caged area attached to the floor in which only VWDC Agents have access. Ensure that your space is lockable, separate from the rest of the warehouse space, large enough to hold your VWDC shipments, and **contains only VWDC wine & and paperwork**; ABC may perform an on-site audit to ensure you are in compliance with the VWDC Operating Agreement.

Once your VWDC licensed space is established, **submit a floor plan** (“blueprint” layout of your bonded warehouse space with a labeled VWDC Wholesale space added to it), **and a photo** along with your completed application.



STEP 3. AMENDMENT TO TTB BASIC PERMIT

TTB has ruled that VWDC need not obtain a federal basic permit as a wine wholesaler; however, each winery using VWDC must amend their federal basic permit registration to acknowledge the space in their bonded area to be “leased” to a wine wholesaler. Note that this TTB amendment needs to be submitted only if the VWDC space is within the TTB space. Follow this link to TTB amendment online: [TTBGov - How to Amend an Approved Permit, Registration, or Notice](#). The amendment type will be commodity operations amendment / Adding or removing alternation of premises. Once completed, please print, and submit it along with your Part 2 application documents (please be sure to include the updated description of the premises and an updated diagram of the premises)

Any questions about this form or its required attachments can be answered by the TTB at [TTBGov - Permits Online - Customer Support](#) or (877-882-3277). Send the approved copy to VWDC with your completed Operating Agreement.

STEP 4: ABC POSTING AND PUBLISHING

As a condition to licensure of space in your winery to VWDC as a wine wholesaler, **notice must be posted on the front door of your facility for 10 complete and consecutive days, and an ABC legal notice of the pending ABC license at your location must be published for two consecutive weeks in your local newspaper.** Posting and Publishing will take place in the name of the Virginia Winery Distribution Company, trade name "VWDC," but will use your winery's physical address as the location. At no point in the posting process should the name of your winery appear on the document or in the newspaper. Wherever an officer is requested, please use "Stanley Joynes, Chairman."

As an Agent of VWDC, the VWDC Operations Manager must submit the ABC legal notice publication request. Please provide VWDC with your local newspaper's contact info. Upon confirmation of publication dates from VWDC, VWDC will fill in the initial posting date on the notice and send the signed notice to you to post at the front of your establishment. Please post it, take a picture and send to VWDC. This signed notice will need to be included in your completed application.

STEP 5: DESIGNATE VWDC SALES TERRITORY WITH ABC

The VWDC Agreement requires the winery to designate a VWDC sales territory with ABC. Ensure that the territories selected are not already represented by an existing distributor relationship. The Franchise Designation Form is included in the Part 2 application email packet. Additionally, a link to this form is here: <https://www.abc.virginia.gov/library/licenses/pdfs/franchise-designation-form.pdf?la=en>. This must be completed and submitted to VWDC to be included in the completed application.

VIRGINIA WINERY DISTRIBUTION COMPANY OPERATING AGREEMENT

THE FOLLOWING OPERATING AGREEMENT ("AGREEMENT") BETWEEN THE VIRGINIA WINE DISTRIBUTION COMPANY ("VWDC") AND YOU, A VIRGINIA FARM WINERY ("WINERY"), SUPERCEDES ANY PREVIOUS OPERATING AGREEMENT BETWEEN THE PARTIES AND IS EFFECTIVE UPON THE ACKNOWLEDGEMENT OF THE WINERY BELOW.

THIS AGREEMENT HAS BEEN REVISED AND MAY DIFFER FROM ANY PREVIOUS OPERATING AGREEMENT BETWEEN THE PARTIES. THE WINERY SHOULD READ THIS AGREEMENT IN ITS ENTIRETY BEFORE ENTERING AN ACKNOWLEDGEMENT BELOW.

WHEREAS, Winery is a Virginia winery or farm winery that is licensed to produce and sell wine in Virginia; and

WHEREAS VWDC was established pursuant to authority granted by Va. Code § 3.2-102, is licensed as a wine wholesaler by the Virginia Board of Alcoholic Beverage Control ("ABC") pursuant to Va. Code § 4.1-206.2, and maintains a principal office in Virginia as a wholesaler of Virginia wine; and

WHEREAS, the Code of Virginia authorizes VWDC to act as a wine wholesaler of not more than 3,000 cases per year of winery's wine ("Wine") to restaurants and shops for resale ("retail licensees") in a designated sales territory within Virginia as set forth herein; and

WHEREAS, the Parties desire that VWDC utilize space within the bonded warehouse of the winery and utilize winery workers as Agents acting under the management and control of VWDC to distribute wine to retail licensees as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants, and conditions contained herein, the receipt and sufficiency of which are acknowledged by the Parties, winery and VWDC hereby agree as follows:

I. Term of Agreement

- A. The initial term of this Agreement shall commence on the effective date set forth above and shall continue until June 30 of the following calendar year unless sooner terminated pursuant to this Agreement.
- B. This Agreement shall automatically renew for an additional one (1) year period beginning on July 1 and ending June 30 of every succeeding year unless terminated as set forth herein.
- C. This Agreement shall be voidable at the sole option of VWDC if the General Assembly of the Commonwealth of Virginia fails to appropriate funding to VWDC to accomplish the purposes set forth in Va. Code § 3.2-102 and in this Agreement.
- D. Upon any termination of this Agreement, each Party shall immediately pay the other party all unpaid amounts due, if any.
- E. All liabilities or claims of either Party which shall have accrued or arisen prior to termination shall survive the termination of this Agreement.

II. Termination of Agreement

- A. This Agreement is terminable in the manner provided by Virginia law or pursuant to the mutual agreement of the Parties following written notice seven (7) days in advance to the other Party.

III. Agency Created

- A. Winery workers shall act as temporary Agents ("Agents" or "Agents") of VWDC to promote, sell, and deliver wine to retail licensees on behalf of VWDC pursuant to the management and control of VWDC.
 - 1. Winery workers shall act as Agents only when promoting, selling, and delivering wine to retail licensees on behalf of VWDC under the provisions of this Agreement.

2. Agents shall comply with the Operating Rules as posted on the VWDC-operated Internet site, and as amended from time to time by VWDC, and shall comply with the terms and conditions for use of the transactional software comprising the Order System as defined and described below.
3. Agents shall comply with all state and federal laws governing licensed wholesale wine distributors.
4. Winery shall comply with all required state and federal employment laws and shall maintain personnel records, process payroll, pay wages, maintain necessary benefits and insurance, and withhold necessary taxes and social security payments as required.
5. Winery agrees to indemnify and hold harmless VWDC for acts or omissions of its workers acting as Agents that result in loss or liability to VWDC or winery.
6. Winery shall have the sole and exclusive right to select its workers and determine their employment terms and conditions. From all its workers winery shall provide a list of those it deems qualified to perform VWDC tasks, from which VWDC has the sole and exclusive right to designate those that will act as Agents of VWDC ("Agents").
7. All winery workers authorized by the winery to act as Agents shall be designated in writing by the winery as Agents and provided to VWDC. Winery shall immediately notify VWDC in writing of the termination or addition of winery workers on that list. VWDC shall contact the Agents from that winery that it selects to represent VWDC.
8. Winery shall provide to VWDC in writing all contact information for its Agents at all times during this Agreement, including a business telephone number, fax number, e-mail address, and mobile telephone number, as applicable.
9. Winery shall use only the designated Agents to sell and deliver wine to retail licensees on behalf of VWDC. VWDC shall provide such advice and direction to Agents, as it deems necessary and appropriate to fulfill VWDC's obligations under this Agreement and Virginia Law. Winery may use other licensed wholesalers not affiliated with VWDC as appropriate.
10. Winery agrees to provide Agents to VWDC at no cost in exchange for wholesale distribution services rendered by VWDC to winery under this Agreement.

B. Winery Vehicles for Temporary Use by Agents

1. Agents shall use a winery vehicle ("Agency Vehicle") for the delivery of wine to retail licensees.
2. Winery is solely responsible for the licensing, insurance, maintenance, and operation of the Agency Vehicle.
3. Winery agrees to indemnify and hold harmless VWDC for any acts or omissions of Agents while operating an Agency Vehicle on VWDC business.
4. Winery agrees to provide use of an Agency Vehicle to VWDC at no cost in exchange for the services rendered by VWDC for winery under this Agreement.

C. No Partnership Created

1. VWDC and winery workers selected by VWDC shall have the relationship of Principal and Agent under this Agreement; nevertheless, they are otherwise independent legal entities. Nothing in this Agreement shall be construed to create a partnership, joint venture, co-employer, or joint employer relationship between the Parties.

IV. License of VWDC Space in winery's Bonded Warehouse

- A.** Winery hereby licenses to VWDC that portion of the winery premises outlined on the written floor plan as provided to VWDC ("VWDC licensed space"). Agents shall, at the winery's sole expense, install and maintain the Licensed Space as a distinct and physically secure area at which all wine sold to VWDC by the winery shall come to rest prior to distribution to retail licensees. Any failure to properly maintain the VWDC licensed space may result in termination of this contract and loss of winery's VWDC license.

- B. VWDC shall secure all necessary wholesale wine licenses from ABC for the VWDC licensed space at its sole cost. Winery agrees to provide information and assist VWDC in procuring these necessary licenses.
- C. VWDC shall have the exclusive right to use and occupy the VWDC licensed space, and winery shall secure the VWDC licensed space to ensure that VWDC inventory, records, and equipment contained within are maintained.
 - 1. VWDC and winery shall prohibit access to the VWDC licensed space by all persons other than ABC and TTB Agents, VWDC management, and VWDC Agents designated herein and other representatives of VWDC.
 - 2. Agents shall maintain all VWDC records required to be maintained in the VWDC licensed space or electronically accessible from the VWDC licensed space or electronically accessible from the VWDC licensed space, including, but not limited to, winery invoices, VWDC purchase orders, retail delivery tickets and other documents required by ABC and TTB.
 - 3. VWDC shall have the right, at its discretion, to have stored in the VWDC licensed space wines produced by other wineries affiliated with VWDC, and winery and Agents shall secure and protect such wine with an appropriate standard of care. Agents shall deliver such wine from other wineries to licensed retailers as requested by VWDC. Such storage and delivery shall be in accordance with the Operating Rules and applicable laws, including laws and regulations of ABC and TTB.
- D. VWDC use of the VWDC licensed space shall be subject to such reasonable limitations as winery may impose, including, but not limited to, restricting the hours of VWDC access to the VWDC licensed space to times when the winery facility is open to winery workers.
- E. Winery and VWDC Agents shall cooperate in establishing all reasonable precautions to protect all items in the VWDC licensed space from loss or damage due to vandalism, negligence, or misuse.
 - 1. Winery shall reimburse VWDC for the cost of replacing items in the VWDC licensed space if they are damaged or destroyed as a result of the negligence of winery workers.
 - 2. Should the VWDC licensed space or its contents be destroyed or damaged for reasons beyond the control of VWDC, VWDC bears no risk of loss.
- F. Winery warrants that this Agreement to license the VWDC licensed space to VWDC does not violate any other agreement, lease, or restrictive covenant.
- G. Winery agrees to provide the VWDC licensed space to VWDC at no cost in exchange for the services rendered by VWDC to winery under this Agreement.

V. Initial Setup Requirements

A. Government Licensure

- 1. The winery shall be solely responsible for maintaining its winery license under federal, state, and local laws. Failure to maintain winery's licenses shall be grounds for termination of this Agreement.
- 2. VWDC shall be solely responsible for maintaining its wholesale license under federal, state, and local laws. Failure to maintain VWDC's licenses shall be grounds for termination of this Agreement.
- 3. Winery agrees to assist VWDC in securing and maintaining an ABC wine wholesale license for the VWDC licensed space. VWDC will reimburse winery costs of such ABC wine wholesale license application at VWDC's sole discretion.
- 4. Winery shall amend its TTB basic permit to comply with any TTB regulations required to allow the transactions contemplated by this Agreement, including, but not limited to, enabling the licensure of the VWDC licensed space.

B. Customer List

- 1. Winery will provide VWDC or its authorized representatives with its intended customer list of retail licensees ("Customer List") in writing or electronically on an approved form.

2. Customer List shall include the establishment name, each mailing address, full contact information, and any additional information that is necessary or useful for selling winery's wine to any retail licensee.
3. Winery shall promptly notify VWDC in writing of all changes to its Customer List.
4. VWDC shall make all reasonable efforts to keep the winery customer list confidential.

C. Sales Territory

1. The sales territory assigned to VWDC by winery shall be the geographic area designated by independent cities and counties in the Commonwealth of Virginia ("Territory"), set forth in writing on an approved form.
2. Winery grants to VWDC, and VWDC accepts from winery, the primary responsibility for the solicitation of orders for and distribution of up to 3,000 cases per year of wine to retail licensees in the territory.
3. The Territory shall not include any geographic areas, cities, and counties that have been assigned by winery to other licensed wine wholesalers.
4. Winery agrees to notify ABC of its assignment of this territory to VWDC.

D. Order System

1. VWDC shall secure and utilize the hardware and software necessary to enable the transactions anticipated by this Agreement at its sole cost and expense ("Order System").
2. The winery shall have access to the internet to receive the necessary wholesale purchase orders from VWDC, to send to VWDC winery's invoices for wine purchases, and any other statements or information that the Order system is designed to facilitate.
3. VWDC will offer periodic training sessions for winery workers to learn the operation of the Order System. VWDC shall make technical assistance available by telephone to the winery as set out in the Operating Rules.

E. Winery Banking Information

1. Winery shall provide VWDC with wiring instructions for electronic funds transfer of all payments by VWDC to winery in writing on an approved form.
2. Any payments required by this Agreement to be made between the parties may be made by check, electronic funds transfer, or wire transfer.
3. Agents that physically collect payment from retail licensees for deliveries of wine shall transmit such funds to VWDC in such manner as VWDC may specify in the Operating Rules.
4. Winery is solely responsible for ensuring that sufficient funds are available for all checks and fund transfers, and any other requirement necessary to complete all transactions in a timely and legal manner.

F. Wine Pricing List

1. Winery will provide VWDC or its authorized representatives with a list of all Wines to be distributed by VWDC, including the ABC product code and individual product pricing that winery will charge VWDC in writing on an approved form. Winery shall refer to the Operating Rules for details about such pricing.
2. VWDC shall consult with the winery on the VWDC price to retail licensee for Wines, but such pricing shall be in the sole discretion of VWDC and in compliance with all applicable ABC laws and regulations.
3. Prices charged by VWDC to retail licensees for wine purchased by VWDC from winery shall include the Virginia wine excise taxes and the VWDC Transaction Fee.

VI. Transaction Fees

- A.** Fees for the wholesale services provided by the VWDC shall be set by its Board of Directors and may be changed at any time in its sole discretion.
1. For the initial term of this Agreement, VWDC shall be entitled to deduct from each payment to Winery a fee of \$6.00 per transaction, plus 1% of the order total.

2. Every transaction initiated by winery shall be charged this Transaction Fee, regardless of the quantity of wine being distributed in the transaction and regardless of whether it is the initial transaction, a replacement transaction, or a correction transaction.
- B. Any change in the Transaction Fee by the VWDC shall be effective when posted as an Operating Rule.
- C. Payments by VWDC to winery for wine shall be by electronic funds transfer only. Winery shall provide the bank name, account number, branch location, contact name, and telephone number in writing on an approved form.

VII. Additional Obligations of VWDC

- A. VWDC shall:
 1. Enable the promotion, sale, and distribution of wine to existing and new retail licensees in the Territory.
 2. Process, maintain records, and remit applicable taxes on sales and deliveries of wine by Agents.
 3. Pay winery invoices within 30 days of receipt.
 4. File public reports as required by law on the quantity of wine sold by VWDC for winery.
 5. Maintain a reasonable level of general liability insurance for the protection of VWDC, winery, and Agents when doing business with VWDC; and
 6. Verify retail licensee information with the ABC and maintain the database of retail licensee names, ABC license numbers, vendor numbers, and other information necessary to comply with this Agreement.

VIII. Additional Obligations of Winery

- A. Winery shall:
 1. Use its best efforts to promote interest among retail licensees in its wine and support VWDC's mission to distribute and sell Virginia wine to retail licensees.
 2. Use its best efforts to support and accommodate VWDC's Agents' efforts to maintain the security of the VWDC leased premises.
 3. Register its wine labels and ensure that all wine sold and distributed hereunder shall be packaged and labeled in conformity with federal, state, and local laws.
 4. Ensure that all wine sold and distributed hereunder shall be merchantable and shall meet all standards of quality imposed by federal law and by the laws of the Commonwealth of Virginia.
 5. Maintain appropriate worker's compensation and employer's liability insurance for all winery employees who act as Agents; and
 6. Read and comply with the Operating Rules and the terms of this Agreement, including any updates to the Operating Rules which may be made by VWDC at VWDC's sole discretion.

IX. Operating Rules

- A. The Operating Rules shall be posted by VWDC on its website, www.vwdc.org, for use by all participating Wineries.
- B. The Operating Rules may be revised by VWDC at any time. It is the responsibility of the winery to use the latest version of the Operating Rules. VWDC will provide winery with notice of updates to Operating Rules within 30 days of changes to the Operating Rules.
- C. Questions regarding the Operating Rules should be directed to the VWDC Chair or designee of the chair at the e-mail address listed in the Operating Rules.

X. Miscellaneous

- A. All notices, demands, and requests contemplated hereunder by each Party to the other shall be in writing and shall be deemed given when delivered by hand, or nationally recognized overnight courier, or by FAX, or postage prepaid, registered, or certified US mail with return receipt requested:

If to winery (Please provide to VWDC in writing appropriate contact information as winery wishes to be contacted. VWDC shall not be responsible for any failure of winery to receive communication from VWDC if winery has provided contact information that is incomplete or incorrect).

If to the VWDC:

Virginia Department of Agriculture & Consumer Services
102 Governor Street
Richmond, VA 23219
Attn: Commissioner's Office
Telephone: (804) 786-3501
FAX: (804) 371-2945

or to such other address or to such other person as may be designated by notice given from time to time during the term by one Party to the other.

- B. This Agreement and each Party's rights and obligations hereunder shall not be transferred or assigned by either Party without the prior written consent of the other Party. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of each Party's permitted successors and assigns.
- C. No modification, amendment, or waiver of any provision of this Agreement shall be effective unless in writing and signed by the Party to be charged. No waiver by either Party of any breach or default of any of the covenants or agreements herein shall be deemed to be a waiver to any subsequent or similar breach or default.
- D. This Agreement contains all the terms, provisions, and agreements between the Parties hereto concerning the subject matter set forth herein, and supersede any prior negotiations, agreements, letters of intent, understandings, or arrangements between the Parties hereto with respect to the subject matter hereof. No right or remedy conferred by this Agreement on either Party is exclusive of any other right or remedy herein and the Parties, and each of them, shall have all additional rights provided by law under the laws of the Commonwealth of Virginia.
- E. If any provision of this Agreement shall be held by a court of competent jurisdiction to be contrary to law, such provision shall be changed and interpreted so as to best accomplish the objectives of the original provision to the fullest extent allowed by law. If this cannot be accomplished, the provision shall be stricken, and the remaining provisions of this Agreement shall remain in full force and effect.
- F. This Agreement may be executed in several copies, each of which shall be an original and all of which shall constitute the same instrument. A facsimile of this Agreement, including the signature pages hereto, will be deemed an original.
- G. Provisions of this Agreement which, by their terms, contain continuing obligations shall survive termination of this Agreement.
- H. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
- I. This Agreement shall be deemed to have been made and shall be construed and interpreted in accordance with the laws of the Commonwealth of Virginia, without regard to any choice of law provisions.
- J. Except for payments due under this Agreement, neither Party will be responsible for any failure to perform due to causes beyond its reasonable control including, but not limited to, acts of God, war, riot, embargoes, acts of civil or military authorities, changes in applicable law, denial of or delays in processing of export license

applications, fire, floods, earthquakes, accidents, strikes, or fuel crises. The affected Party shall reasonably attempt to give prompt written notice thereof to the other Party and shall make reasonable efforts to fully perform after the event has subsided.

- K. In the event of litigation relating to this Agreement, each Party shall be entitled to collect from the other all costs and expenses incurred by the prevailing Party relating to such litigation, including attorney's fees, as determined by a court of law. No provision herein shall be considered a waiver of sovereign immunity.
- L. In exercising its rights and performing its obligations hereunder, each Party hereto and its officers, directors, workers, and Agents shall not, during the term of this Agreement, engage in activity or conduct which may be reasonably expected to harm or damage the other Party or its reputation among its customers or suppliers.
- M. In exercising its rights and performing its obligations hereunder, each Party hereto and its officers, directors, workers, and Agents shall at all times obey and comply with all applicable laws and regulations, including but not limited to, the state and federal laws and regulations governing the production, distribution, and sale of alcoholic beverages.

Signature: _____

Date: _____

Printed Name: _____

Title: _____

Winery: _____

EXHIBIT ONE: OPERATING RULES

I. WINERY OPERATING RESPONSIBILITIES:

- A. Using the most recent version of these Operating Rules as shown on the VWDC website, vwdc.org.
- B. Maintaining a registered account with the online system to use the Internet-based transaction system and familiarizing all winery Agents and administrators on the use and features of the system.
- C. Updating the Price List, Agent information, and winery banking and contact information through the system and/or email to VWDC personnel as appropriate.
- D. Providing the Virginia ABC with an initial price notification for all products prior to using VWDC.
- E. Maintaining its connection to the internet and an email address, a computer with Adobe Acrobat Reader 7.0 or higher, and an inkjet or laser printer.
- F. Notifying the TTB via an amendment to the winery's basic registration demonstrating a change to the use of its bonded area resulting from the lease of space to VWDC.
- G. Requiring that Agents have a working knowledge of the compliance issues related to acting as Agents for VWDC.
- H. Paying any ABC/TTB fines resulting from VWDC Agent non-compliance with ABC/TTB laws. Non-compliance fines not reimbursed to VWDC may result in termination of use of VWDC.

II. MAINTAINING THE VWDC LICENSED SPACE

- A. The VWDC wholesale storage area must be located in the licensed ABC winery space. It must be separate and secure from the rest of the warehouse, meaning it is enclosed and must always remain locked except when the wine is being moved into or out of the licensed space.
 - i. For example, you may build an actual walled room in the bonded area with a locking door, construct a chain link cage, purchase a locking upright cabinet, or use any enclosed lockable space large enough to hold the case volume of your largest wine shipment.
- B. The VWDC licensed space may only contain the following: VWDC records, wine invoiced from the winery to the VWDC license, wine invoiced from the VWDC license to a licensed retailer awaiting delivery, wine invoiced as VWDC samples, and any equipment specifically used for orders processed through the VWDC license. The VWDC licensed space may not be used as storage for any product or equipment that is not properly invoiced to VWDC.
- C. When designing/constructing the VWDC wholesale space, ensure the VWDC storage in the winery matches the floor plan submitted with your TTB amendment. If you must alter the floor plan of the bonded area and move the VWDC space in the future, be sure to submit a new TTB amendment reflecting this change and notify VWDC before making the physical change. This will allow you to avoid suspending deliveries while waiting for the permitting approval.
- D. Copies of the distributor's wine invoices ("DWI"), purchase orders ("PO"), invoices for wine samples, retail delivery tickets, sampling records, and other documents required by ABC and TTB for all transactions must be kept in the Licensed Space for use by winery, Agent, VWDC, and ABC. In addition, the appropriate valid VWDC license from ABC shall be posted at the entrance to the VWDC licensed space at all times.
- E. Agent must have access to the Licensed Space at all times. Other winery workers should be allowed in the Licensed Space only when accompanied by the Agent.

III. STANDARD OPERATING PROCEDURE FOR PLACING ORDERS

- A. Winery representative and/or Agent makes a sales call to the retail licensee by any lawful method. Note that "peddling" wine is prohibited in Virginia and all wine must be presold prior to delivery.

- B. Only an Agent (not a winery rep) may sample wine for retail licensees. The VWDC Agent will use bottles invoiced to VWDC that are marked as samples, taxed as a sale, invoiced as samples, and stored in the VWDC wholesale space. The VWDC Agent will maintain a record, to be kept in the VWDC space, of the following information:
 - i. Brand of wine sampled.
 - ii. Approximate volume used.
 - iii. Where the samples were given.
 - iv. Date the sample was given; and
 - v. The retail licensee and individual sampling the wine.

Any excess sampling wine will then be returned to the VWDC space to be used for the next customer sampling until spoiled or depleted. Destruction will be noted on the sampling record.

- C. Retail Licensee/winery rep places an order for winery's wine ("Order") with the Agent or through direct entry on the system.
- D. The Agent confirms inventory with the winery and enters the Order on the system or approves the order entered directly by the retail licensee. VWDC does not maintain separate inventory records; order records are maintained in the system.
- E. POs and DWIs are produced by the online system upon approval by winery. Winery must keep copies of all records as required by law.
- F. Winery prints out two (2) copies of the PO and four (4) copies of the DWI.
- G. Winery uses the PO to collect Orders from winery's bonded warehouse.
- H. Agent signs copies of the PO on behalf of VWDC and moves the Order from winery's bonded warehouse to the Licensed Space where the Order must "come to rest." For the Order to "come to rest," the Agent must physically move the Order from the winery's bonded warehouse to the VWDC licensed space, where it must remain for a short period of time.

IV. STANDARD OPERATING PROCEDURE FOR DELIVERING ORDERS

- A. Agent moves Order from Licensed Space to Agent Vehicle.
- B. Agent transports Order in Agent Vehicle and delivers Order to retail licensee, or retail licensee may pick up order at VWDC licensed space from Agent. Sunday deliveries and pickups of alcohol are prohibited in Virginia. The delivery date on the DWI must be the actual delivery date.
- C. Agent collects payment and secures retail licensee signatures on four (4) copies of the DWI.
- D. Payments from retail licensees to VWDC shall be in the form of a check from the retail licensee, cashier's check, or money order made payable to "Virginia Winery Distribution Company" or "VWDC" or may be made by electronic fund transfer. VWDC cannot accept cash or winery checks. Please note that ABC regulations prohibit the winery or Agent from purchasing cashier's checks or money orders for retail licensees.
- E. Agent immediately sends transaction paperwork (including any checks collected) by U.S. mail to VWDC.
- F. The transaction paperwork includes payment from the retail licensee and one DWI signed by the retail licensee. The transaction paperwork must be postmarked within two (2) business days from the delivery date stated on the DWI, or payment to the winery may be delayed.
- G. VWDC processes the transaction, pays all of the collected ABC taxes, and submits the required daily reports to ABC.
- H. VWDC pays winery for all transactions no less than once every month. Transactions received after the last date for each month's reconciliation will be paid at the end of the following period. Winery submits the usual required reports to ABC and TTB.

V. GENERAL REMINDERS

- A. Purchase Orders and Distributor's Wine Invoice
 - i. For each transaction, the two POs are signed by the Agent. The POs are distributed as follows:
 - a. One (1) copy kept in the Licensed Space for VWDC records.
 - b. One (1) copy retained by winery.
 - ii. The DWIs are distributed as follows:
 - a. One (1) copy should be sent to VWDC with transaction paperwork.
 - b. One (1) copy kept in the VWDC licensed space.
 - c. One (1) copy retained by winery.
 - d. One (1) copy retained by the Retailer.
 - iii. All POs and DWIs must be kept in the Licensed Space for two (2) years from the transaction's delivery date. Wineries can download monthly statements from the online system.
- B. Pricing: Winery pricing posted on the online system should include all taxes and the transaction fee payable to VWDC. Winery must notify ABC by e-mail (pricech@virginiaabc.com) and VWDC via the system of initial pricing and any subsequent **increase** in posted pricing thirty (30) days prior to the effective date of such change. Price decreases are entered into the VWDC system and are effective immediately. No wine may be sold until the listed price is approved by both ABC and VWDC. Winery may offer quantity discounts so long as such discounts are offered to all retail licensees in a non-discriminatory manner in accordance with ABC laws. Winery must offer all wholesalers the same price list.
- C. License Renewal: VWDC licenses require annual renewal through VA ABC. VWDC will reduce winery payment or bill the winery for license renewal costs when the bill is received from VA ABC for annual license renewals. Licenses inactive for the prior year will be terminated. Any costs to reinstate or renew the license will be paid by the winery. The renewed license will be emailed to the Agent's contact info that was submitted with the VWDC application.
- D. Changes at Delivery: Any changes made to the quantity or price of the actual delivery must be noted on the system. Changes may not be accepted after a transaction is approved in the system without approval from VWDC and ABC. These change orders may incur a transaction fee.
- E. Cases Sold per Calendar Year: VWDC wineries shall distribute no more than 3,000 cases in any one year. One year shall be considered a calendar year from January – December.

EXHIBIT TWO: VWDC AGENTS AND CONTACT INFORMATION

List each winery employee capable of acting as a VWDC Agent and their contact information.

VWDC Agent Name	Title at winery	Business Telephone	Mobile Telephone

EXHIBIT THREE: BANK/ELECTRONIC FUNDS TRANSFER INFORMATION

Bank Name:

Branch Location (City, State):

Telephone Number:

Contact Name:

Account Number:

ABA/Routing Number (9 digits):

EXHIBIT FOUR: WINERY CUSTOMER LIST

Licensee	ABC License Number	Address	Contact Name and Number

EXHIBIT FIVE: VWDC SALES TERRITORY

[List the cities and counties in Virginia the winery has designated as VWDC's primary area of responsibility.]

EXHIBIT SIX: PRODUCTS AND PRICING

Product Name	ABC Code	Recommended Pricing

*Recommended pricing is per case and includes Virginia wine excise tax of \$3.60 per case (assuming 9 liter case).