

## Bailment Warehouse System Agreement

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The Virginia Alcoholic Beverage Control Authority (ABC) operates a bailment warehouse system. Under this system, ownership of product stored by a supplier in the ABC warehouse will remain with the supplier and will remain, and at all times be found to be, the sole and exclusive property of the supplier, and the ABC has no right there in until the product is shipped confirmed by ABC for delivery to its government stores. By executing this agreement, supplier and ABC agree to the following terms and conditions:

1. **SUPPLIER'S AUTHORIZED REPRESENTATIVE** – Supplier must furnish ABC with the name, address, and phone number of a representative authorized to represent the supplier in all dealings with ABC relating to purchases of bailed stock.
2. **TITLE TO SPIRITS DELIVERED TO WAREHOUSE** – Products delivered to the ABC warehouse must be consigned to the supplier in the care of ABC and delivered free and clear of liens or encumbrances of any type. While the products are stored in the ABC warehouse, the supplier is the owner of, has legal title to, and bears the risk of loss of those products, except for loss or damage caused by ABC's failure to exercise such care in regard to the stored products as a reasonable person would exercise under like circumstances. ABC will take title to products when it is shipped confirmed for delivery.
3. **INVENTORY LEVELS** – ABC has established a minimum inventory level of two weeks supply and a maximum inventory level of six weeks supply for each code maintained in the bailment warehouse. Suppliers will be provided with a report listing these inventory levels for their products. Inventory quantities greater than six weeks of supply must be approved by the Supply Chain and Operation Manager or their designate prior to delivery.
4. **DELIVERY OF PRODUCTS TO WAREHOUSE** – Suppliers will be responsible for determining the quantities of merchandise to be delivered to the ABC bailment warehouse for storage in accordance with the minimum and maximum inventory levels. Suppliers shall notify ABC of intended shipments by creating a delivery appointment via ABC's inbound scheduling platform. Trucks arriving without an appointment will be unloaded or turned away at the discretion of the Supply Chain and Operation Manager or their designate. ABC agrees to allow the Suppliers to conduct physical inventory counts of its bailment stock in the warehouse provided prior authorization has been received from the ABC warehouse manager. Suppliers must deliver products packaged and/or palletized as directed by ABC. Suppliers must notify ABC in writing at least 30 days prior to a pallet configuration change. ABC will not be responsible for any discrepancies in inventory that occur due to failure to provide notice of the change.
5. **NOTIFICATION OF AND ACCEPTANCE OF ORDER** – In accordance with bailment guidelines the ABC will request the release of inventory in the ABC bailment warehouse. The ABC will submit written electronic orders to suppliers via electronic portal. The ABC will provide user IDs to supplier's designees to review orders. Orders will be deemed accepted if a written rejection notice is not received prior to production planning. The planning schedule will be outlined in the ABC Supplier Manual. Suppliers will be notified a minimum 24 hours in advance of changes to the planning schedule.

6. PAYMENT FOR STOCK WITHDRAWN FROM BAILMENT – On the second and sixteenth days of each month, via mail or email, ABC will report to each Supplier the actual withdrawals made from the Supplier's bailed stock since the last report. Payment for withdrawn stock will be made 30 days after the report of purchase is issued. No supplier invoice will be required.
7. RIGHTS AND OBJECTIONS OF SUPPLIERS WITH REGARD TO BAILMENT INVENTORY – The Supplier may alter merchandise from bailment storage for the following reasons:
  - a. The Supplier may request withdrawal to redistribute product into other areas on seven days written notice to the ABC.
  - b. The Supplier may return merchandise to their warehouse or redistribute to other areas if the maximum inventory level at the ABC warehouse is exceeded upon the ABC's request.
  - c. The Supplier may return merchandise to their warehouse if the product is defective or unsalable.
  - d. The Supplier will remove from the ABC warehouse delisted products.
  - e. The Supplier must provide a carrier to handle the removal of product. The carrier must arrange a loading appointment with ABC warehouse manager. ABC warehouse personnel will load the product onto the truck.
8. SERVICE CHARGES – Suppliers will be assessed charges for services outlined in the ABC Supplier Manual, which is incorporated herein and made a part of this Bailment Warehouse System Agreement.

Service charges to a supplier will be deducted from monthly merchandise payments by ABC. Suppliers will be provided with a schedule of fees via the ABC website at [www.abc.virginia.gov](http://www.abc.virginia.gov). ABC will notify Suppliers of any increase in service charge rates at least 30 days prior to their effective date.

9. INDEMNITY AND HOLD HARMLESS; INSURANCE – Supplier agrees that it shall indemnify, hold ABC harmless, and, at ABC's election, defend it, against claims of any type arising out of or attributable to the actions of the Supplier and its agents, or the presence of Supplier's products within the ABC's warehouse. This obligation shall survive any termination or expiration of this agreement. Supplier further agrees to carry, at its sole cost and expense, insurance in such amounts and types as ABC may direct from time to time concerning its obligations under this agreement.
10. This Agreement shall be construed in accordance with the laws of the Commonwealth of Virginia.
11. ABC may terminate this Agreement by written notice to the Supplier if the Supplier fails to comply with any of the terms of this Agreement.
12. Supplier shall not assign this Agreement without the prior written approval of ABC.
13. This Agreement constitutes the entire agreement between the parties relating to the bailment warehouse system. This agreement may be modified by written agreement between the parties.
14. If any provision of this Agreement is invalid, such provision shall be deleted from the Agreement and shall not invalidate the remaining provisions.

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| <p><b>Virginia Alcoholic Beverage Control Authority</b><br/> <b>("VA ABC")</b></p> <p><b>State of Incorporation:</b> Virginia</p> <p><b>Type of Entity:</b> Government Agency</p> | <p>_____ ("<b>Vendor</b>")</p> <p><b>State of Incorporation:</b> _____</p> <p><b>Type of Entity:</b> _____</p> |
| <p><b>Signature:</b></p>  | <p><b>Signature:</b></p>   |
| <p><b>Name:</b><br/> Mark F. Dunham</p>   | <p><b>Name:</b></p>  |
| <p><b>Title:</b><br/> Chief Retail Operations Officer</p>   | <p><b>Title:</b></p>   |
| <p><b>Date:</b></p>   | <p><b>Date:</b></p>  |
| <p><b>Address:</b><br/> Virginia Alcoholic Beverage Control Authority<br/> 7450 Freight Way<br/> Mechanicsville, VA 23116</p> <p>Legal notices: OLC@virginiaabc.com</p>           | <p><b>Address:</b></p>   |
| <p><b>Effective Date:</b></p>   |  |