

Vermont Department of Liquor and Lottery
Division of Liquor Control
13 Green Mountain Drive
Montpelier, Vt. 05602

BAILMENT AND TRADING AGREEMENT BETWEEN
THE VERMONT DEPARTMENT OF LIQUOR CONTROL
AND

The Vermont Department of Liquor and Lottery, Division of Liquor Control, a department of Vermont State Government (hereinafter the "Department") and the supplier identified above (hereinafter the "Supplier") enter into this agreement for the purpose of operating a bailment inventory management program. This agreement will be effective, and will remain in effect until cancelled or revised in writing

The Department and the Supplier agree to the following:

1. The Department agrees to handle and store approved items furnished by the Supplier for sale in State Liquor stores in Vermont. The Supplier shall continue to hold title to its stock in the Department's distribution center until such stock is delivered by the Department to the State Liquor stores in Vermont.
2. The Department agrees to provide the Supplier recommended Bailment Replenishment Orders (subject to adjustments with increases for truckload, pallet, tier, etc.) with requested delivery dates.
3. The Department agrees to purchase any bailment stock, which is lost or is broken by Department employees while stored in the Department's distribution center.

4. The Department agrees to maintain a record of all bailment transactions, including a perpetual inventory in the distribution center for its own purposes, and to make reports available to the Supplier for accounting reconciliation purposes.

The Department agrees to allow the Supplier to conduct physical counts of its bailment stock in the distribution center. There is no scheduled Department shut-down for annual inventory. Supplier staff or broker will be accommodated - with one full weeks' notice - to conduct inventory upon any or all specific supplier locations by assigned vendor number.

5. The Department has authorization as requested from the Supplier to withdraw bailment stock. No response will be required unless permission to withdraw is denied.

6. The Department agrees to send official "Vermont Liquor Purchase Order" to the Supplier twice monthly for withdrawals of the previous one-half month. The Department will pay the supplier from the Purchase Order.

7. The Department agrees that the Supplier has the right to withdraw or transfer their stock from the Department's distribution center with written request at any time during normal working hours.

8. The Supplier agrees to secure any applicable state and/or federal basic permits and federal special occupational tax stamps that may be needed before any alcoholic beverages are shipped into the distribution center under the bailment program and provide copies at the Department's request.

9. The Supplier agrees that any unapproved or miss-shipped products will be removed from the Department's distribution center, at the Supplier's sole expense within thirty (30) working days upon written notification by the Department. If such products are not removed within the thirty (30) days, the Department will consider these goods as excess. Failure to remove excess product within 30 days may result in the refusal to accept new listing proposals.

10. The Supplier agrees to place, without charge, approved items of alcoholic beverages and or related products into the Department's distribution center in Montpelier only as requested on a Bailment Replenishment Order. The items shall be shipped in accordance with the Department's shipping instructions and the Supplier must schedule a delivery appointment on the day of the requested ship date indicated on the Bailment Replenishment Order for arrival in Montpelier. When the merchandise is shipped, it is to be consigned to the Supplier, or the representative or agent in care of the Department's distribution center.

A. The Department requires that every pallet being delivered to the Distribution center must comply with the following standards. These standards will be verified on every pallet entering the distribution center:

- (i) All merchandise must to be placed on Grade A or Grade B wooden pallets.
- (ii) Maximum Pallet Height, *including the pallet: 68"*
- (iii) Maximum Pallet Weight: **2,800 lbs.**
- (iv) Maximum Pallet Width: **40"**
- (v) Maximum Pallet Length: **48"**

All In-bound pallets must be stretch wrapped. **All** Product must ship on Grade A or Grade B wooden pallets. The total height when transferred must not exceed 68" in height. Non-compliant loads are subject to dock staff refusal or extra handling charges of \$10.00 per pallet if required to achieve load compliance. Repeated failure to conform to pallet specifications may result in the refusal to accept new listing proposals from the offending supplier.

F. If a pallet contains multiple SKU's (stock keeping units) each SKU must be separated and on its own 4-way pallet. The Department warehouse staff must be able to easily separate the different products. If extra hand unloading, stacking, or use of a carton clamp to separate the products is required the Department may assess extra handling charges in amounts necessary to offset the Department's costs. The supplier will have been considered to be out of compliance with State policy. Repeated failure to conform to pallet specifications may result in the refusal to accept new listing proposals from the offending supplier.

If a single pallet load contains multiple products, and the layers aren't separated by a pallet or slip sheet, the Department may assess extra handling charges in amounts necessary to offset the Department's costs.

G. If a supplier sends several layers of the same SKU, these must be on the same pallet. If a product is separated and loaded on different pallet loads, and the Department dock staff must then combine these layers the Department may assess extra handling charges in amounts necessary to offset the Department's costs. The department will take repeated non-compliance into consideration when evaluating new listing proposals

H. There is no difference when assessing a handling charge between a full layer and a partial layer of mixed SKUs. The parties acknowledge that the additional labor cost increase to rectify the error is considered equivalent.

The Department warehouse requires an appointment for deliveries. These delivery appointments may be made by calling the warehouse Program Services Clerk. The appointments are booked on a first come first served basis. Every attempt should be made to schedule a delivery appointment on the requested delivery date.

11. The Supplier agrees to assume all storage risks; to acquire and maintain insurance at the minimum coverage levels identified in Attachment C hereto; and to hold the Department harmless from any damage to or loss of such stock, except breakage caused by the negligence or intentional misconduct of Department employees while the stock is stored in, or being shipped from, the Department's distribution center and/or disappearance of the stock while in Department custody.

12. The Supplier agrees to provide the Department with current price quotations at least 60 days in advance of any price quotation changes (weight, pack, pallet, ship point, price, etc.) The FOB Montpelier cost on file will be the price paid by the Department at the time the merchandise is withdrawn from bailment.

13. There will be a minimum inventory quantity for each Regular Distribution status code stored in the Department's distribution center (exceptions-closeout and special order items).

14. The minimum inventory parameters may be set by the Department, after consultation with the Supplier. They may be changed by mutual consent on an as needed basis.

15. The Supplier will not maintain an inventory of special order or closeout items at the Department's distribution center unless listed or approved by the Department.

16. The Department will send the Supplier a Bailment Replenishment Order for limited distribution and special order items. The Department may "withdraw" the special order merchandise from bailment stock into state stock upon its arrival to the Department distribution center.

17. The failure to maintain minimum inventories may result in the Department's refusal to accept new listing proposals from the offending supplier.

18. The Department will waive requirements on minimum quantities if they are not met due to a natural disaster (flood, fire, earthquake, etc.), acts of war, or unpreventable strikes and/or walkouts.

19. It is mandatory that the N.A.B.C.A. issued Control State Code numbers (or the Department-issued code numbers) are included on each item on the shipping manifest. It is mandatory that the N.A.B.C.A issued Standard Case Code numbers - in electronic read scan bar code format is included on each case shipped. Products that are non-compliant are subject to refusal. Repeated failure to conform to labeling

specifications may result in the refusal to accept new listing proposals from the offending supplier.

Supplier shall ensure that \$.15 deposit stickers are affixed to all products larger than 50ml, as required by Vermont law.

20. If the order to be shipped is different in any way from the Bailment Replenishment Order placed by the Department, the Supplier must notify the Department five (5) days in advance of the merchandise arriving in the Department's distribution center.

21. Each load shall be shipped under shipper's load and count. Each case shall be clearly labeled with the control state code number.

22. If small amounts of damaged merchandise are received, concealed or otherwise, the Department will purchase the damaged merchandise and file a claim against the Supplier. The Department will apply a handling charge of \$1.00 per case to offset the Department's costs to recover and repackage undamaged merchandise.

23. Local Supplier representatives may be asked to inspect the damaged merchandise and sign the Department loss/damage form.

24. If products on Bailment Replenishment Orders are ordered for a future Depletion Allowance (DA) and are not shipped or short-shipped the corresponding D.A. may be canceled.

25. The Department reserves the right to refuse an entire shipment or partial shipment of damaged merchandise and/or accept the damaged load and charge the Supplier back extra handling and administrative fees in amounts necessary to offset the Department's costs.

26. This Agreement will be governed by the laws of the State of Vermont.

27. Attachment C, Standard State Provisions for Contracts and Grants, Revised December 15, 2017, is incorporated herein; and its provisions are hereby made terms and conditions of this Agreement.

SUPPLIER INFORMATION

Supplier Name (or DBA) _____

Supplier Mailing Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

Primary Supplier Contact Name: _____

Primary Supplier Contact E-Mail Address:

AGREEMENT EXECUTION:

Supplier Representative

Department Representative

Signature:

Signature:

Date:

Date: