



Compliance & Regulatory Update...

DATELINE: APRIL 26, 2007

The outline below represents the most current information WTN Services™ has available as of the date of this document. This alert does not contain and is not delivered as legal advice but is for information purposes. WTN Services™ works closely with the Wine Institute, Free the Grapes, the Specialty Wine Retailers Association and legal experts for compliance updates...

Illinois – WTN Services™ is optimistic on the winery front however the retailers face an uphill battle since the in-state retailers have now removed their opposition to the bills pending. It is looking as if House Bill 429 similar to last year's transition bill will create a winery-only direct to consumer shipping permit to replace the existing reciprocity law. Provisions include a tiered permit fee based on size of the winery from \$150 to \$1,000. There is an improvement from the 2 case per year max shipment allowed to 12 cases annually. There is a requirement for sales and excise tax collection. Out of state wine retailers and online wine retailers could be closed out. Retailers have been shipping to Illinois since 1992. The law as proposed is considered to be unconstitutional and will result in litigation. WTN Services is actively lobbying for a reprieve in the verbiage to allow retail direct shipping as well as winery direct shipping. We encourage equity for retailer and wineries intra-state and inter-state. WTN Services as a partner in Free the Grapes and Specialty Wine Retailers Association encourage free trade into all states. WTN Services is positioned to service all of our clients needs no matter what the legislature does. WTN Services has 3 Tier capabilities in place and active if the need arises.

Florida- WTN Services™ is fielding many calls on Florida and is positioned to react to whatever action happens or does not happen. At this time, it is up in the air as to what is going to happen. The Florida ABC is not committing to what action they will take if the legislature does or does not pass legislation prior to the close of this legislative session on May 4th.

If Florida closes consumer direct shipping until legislation is passed for customer direct clients who were previously shipping 3Tier into Florida and who have kept their registrations current either via Lionstone, MHW, WSN or other partner vendors -there will be no impact and WTN Services can flip you into our 3Tier partnership.

We have continued to ship 3Tier throughout the last year in anticipation of a potential issue. If you choose not to renew your registrations or have not kept them current and did not apply for these registrations, WTN Services may need to stop shipping to Florida as of May 5th until your labels can be registered. Our on site compliance specialist will assist you when we get clarity to the playing field. This is an advance update that we are positioned to facilitate services no matter what the regulators opt to do or not do. No action is required at this time- as soon as we get an update from our legislative contacts in Florida- we will forward details to our clients.



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Arizona- Clarification-there seems to be confusion into Arizona's rules concerning quantity limits of small producers. The Arizona permit allows wineries producing less than 20,000 gallons annually to apply. There are **no** quantity limits for small producers. **All wineries may continue to ship on-site sales to consumers without a permit.**

North Dakota- Effective August 1, 2007, **the quantity limits are increased from 1 case per month to 3 cases per month.** The permit requirements have not changed, only the quantity limits.

West Virginia- Effective June 8, 2007, our clients will need a direct shipper's permit to ship to consumers in West Virginia. This permit will be available to wineries, wholesalers, retailers and importers. Additional information will follow on the rules and applications, as soon as they are finalized by the West Virginia ABC. We will provide a further update mid-May or as soon as the new requirements are published by the state.

Two of the known requirements are label registration and registration with the Secretary of State. Our WTN Services™ compliance specialist can help you with this as we gather additional details from the state.

For more information or client support contact your WTN Services™ account manager or Chris Edwards, Director of Sales & Client Operations - cedwards@winetasting.com

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