

**UNITED STATES OF AMERICA
DEPARTMENT OF TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU**

In the Matter of the Proposed)
Suspension of the Basic Permit Issued)
to:)
)
) No. AF-97692
Hourglass Wine Company, Inc.)
Suite 103)
1104 Adams Street)
Saint Helena, California 94574)

SUSPENSION AGREEMENT

1. Hourglass Wine Company, Inc. agrees to withdraw its hearing request in the above-reference matter.

2. Hourglass Wine Company, Inc. continues to deny the allegations. Hourglass Wine Company, Inc. asserts that it did not knowingly violate any laws and is withdrawing its hearing request due to the mounting cost of defending the case, which it is unable to afford.

3. The Deputy Assistant Administrator (Field Operations), Alcohol and Tobacco Tax and Trade Bureau (TTB), and Hourglass Wine Company, Inc. agree that its authority to operate under basic permit CA-W-16574 will be suspended for a period of one day.

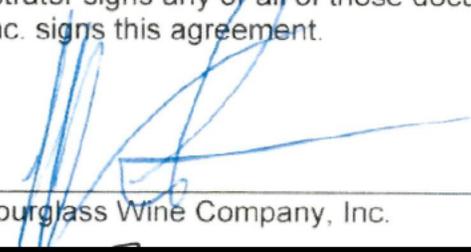
4. Hourglass Wine Company, Inc.'s ability to operate under basic permit CA-W-16574 will be suspended by order of the Deputy Assistant Administrator (Field Operations). Hourglass Wine Company, Inc. will serve its suspension on November 26, 2019.

5. During the suspension period, Hourglass Wine Company, Inc. cannot conduct those normal business activities that it otherwise would legally conduct through its basic permit. Activities that shall not be performed during the suspension include, but are not limited to:
 - a. Filling wine orders for customers;

- b. Placing orders of wine for customers;
 - c. Contracting to sell or offering to sell your wine products;
 - d. Producing, rectifying or blending wine;
 - e. Shipping wine in interstate or foreign commerce;
 - f. Advertising or disseminating, or causing to be advertised or disseminated, in interstate or foreign commerce, any advertisements of distilled spirits, wine or malt beverages.
6. During the suspension period, Hourglass Wine Company, Inc. may conduct activities that would allow maintenance of its current stock or inventory. Such activities include, but are not limited to:
- a. Activity that would only relate to maintaining or preserving wine which has already been produced or fermented;
 - b. Receiving wine production materials during the time of the suspension that had been shipped or had already been in transit prior to the commencement of the suspension;
 - c. Taking inventory of warehouse goods;
 - d. Performing administrative activities such as bookkeeping;
 - e. Rearranging warehouse stock; or
 - f. Altering, changing, or creating, but not placing in interstate or foreign commerce, advertisements of your wine products.
7. TTB will exercise its enforcement discretion and will not treat this suspension as a "first violation" under 27 U.S.C. § 204(e)(1), unless it discovers Hourglass Wine Company, Inc. engaged in conduct similar to the violations alleged in the Order to Show Cause on or after the date ordered to serve your suspension.
8. The parties agree that the information in TTB's suspension decision is not return information under 26 U.S.C. § 6103 and is not subject to any other confidentiality provisions. As such, Hourglass Wine Company, Inc. understands that TTB will publish information from the suspension decision on its public website and in its newsletter.

9. Hourglass Wine Company, Inc. agrees that this suspension agreement is valid regardless of the date the Deputy Assistant Administrator signs this agreement, the Decision, and the Order Suspending permit and expressly waives any objections if the Deputy Assistant Administrator signs any or all of those documents before Hourglass Wine Company, Inc. signs this agreement.

Date: 9/9/19



Hourglass Wine Company, Inc.

Date: 9/11/19



Acting Deputy Assistant Administrator, Field Operations
Alcohol and Tobacco Tax and Trade Bureau

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INITIAL DECISION

On November 5, 2018, the Alcohol and Tobacco Tax and Trade Bureau (TTB) issued to Hourglass Wine Company, Inc. an Order to Show Cause why its authority to operate under basic permit number CA-W-16574 should not be suspended because of willful violations of the conditions of the permit, as set forth in the Order to Show Cause.

Title 27, United States Code, Section 204(e), provides in pertinent part that, by order of the Secretary of the Treasury, and after due notice and opportunity for a hearing to the permittee, a basic permit shall be suspended for such period as the Secretary of the Treasury deems appropriate if the Secretary finds that the permittee has willfully violated any of the conditions of the permit.

Hourglass Wine Company, Inc. and TTB have entered into a Settlement Agreement to resolve the immediate matter, which is currently before an Administrative Law Judge (ALJ). As part of the agreement, Hourglass Wine Company, Inc. acknowledges the violations set forth in the Order to Show Cause and has agreed to withdraw its request for hearing. Therefore, under the authority of 27 C.F.R. § 71.79(b), TTB makes the following Findings and Decision.

EVIDENCE PRESENTED BY THE GOVERNMENT

1. The Order to Show Cause issued November 5, 2018.
2. A Settlement Agreement executed by Hourglass Wine Company, Inc., acknowledging the violations alleged in the Order to Show Cause and agreeing to the imposition of a one-day suspension.

FINDINGS OF FACT AND CONCLUSIONS

1. Hourglass Wine Company, Inc. has agreed to withdraw its hearing request, which it filed in response to TTB's Order to Show Cause of November 5, 2018.

2. Hourglass Wine Company, Inc. acknowledged the allegations contained in the Order to Show Cause, without admitting fault, and agreed to a one day suspension in resolution of the matter.
3. Hourglass Wine Company, Inc.'s authority to operate under basic permit number CA-W-16574 may and should be suspended for a period of one day.

DECISION AND ORDER

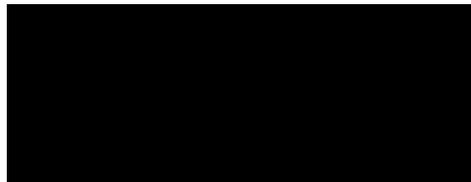
1. In pertinent part, basic permits issued pursuant to the Federal Alcohol Administration Act are conditioned upon compliance with the requirements of 27 U.S.C. §§ 205 and 206 “and with all other Federal laws relating to distilled spirits, wine, and malt beverages, including taxes with respect thereto.” 27 U.S.C. § 204(d).
2. Hourglass Wine Company, Inc. violated the conditions of its basic permit in the following manner and instances:
 - a. Hourglass Wine Company, Inc. is a TTB-regulated industry member, operating as a bonded winery and a wholesaler of wine in California.
 - b. [REDACTED] is a TTB permitted wholesaler located in [REDACTED] (and a “trade buyer” within the meaning of 27 U.S.C. §205(d)).
 - c. [REDACTED] operated as a wholesaler located in [REDACTED] (and a “trade buyer” within the meaning of 27 U.S.C. §205(d)).
 - d. Beginning in 2016 and continuing through approximately December 2017, Hourglass Wine Company, Inc., sold wine to trade buyers on consignment. Specifically, Hourglass Wine Company, Inc. provided wine to [REDACTED] and [REDACTED] pursuant to arrangements whereby the wholesalers were not obligated to pay for the wine until after the wholesalers sold the wine to retailers.
 - e. Hourglass Wine Company, Inc., acted willfully, or with plain indifference to the requirements of the FAA Act, in entering into the consignment sale arrangements with trade buyers.
3. The FAA Act, 27 U.S.C. § 205(d), makes it unlawful for an industry member to sell, offer for sale, or contract to sell to any trade buyer (a wholesaler or retailer) on consignment.
4. Consignment sales are arrangements where the trade buyer is not obligated to pay for distilled spirits, wine, or malt beverages until after the trade buyer sells the distilled spirits, wine, or malt beverages. 27 C.F.R. § 11.22.

5. An FAA Act basic permit is conditioned upon compliance with the requirements of section 205 of the FAA Act. 27 U.S.C. § 204(d).
6. TTB may suspend a basic permit issued under the FAA Act if its holder willfully violates any of the conditions of the permit. 27 U.S.C. § 204(e)(1).

Hourglass Wine Company, Inc. has acknowledged the violations alleged in the Order to Show Cause and agreed to a suspension in resolution of the allegations. Hourglass Wine Company, Inc. and TTB have agreed that Hourglass Wine Company, Inc.'s authority to operate under basic permit number CA-W-16574 is to be suspended for a period of one day. It is, therefore, decided that the period of suspension will and shall be on December 5, 2019.

TTB will exercise its enforcement discretion and will not treat this suspension as a first violation unless it discovers that Hourglass Wine Company, Inc. engaged in conduct similar to the violations alleged in this Order on or after the date of the suspension.

9/9/19
Dated



Deputy Assistant Administrator, Field Operations
Alcohol and Tobacco Tax and Trade Bureau