

WILLAMETTE VALLEY VINEYARDS INC
Form 10-K
March 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-21522

WILLAMETTE VALLEY VINEYARDS, INC.
(Exact name of registrant as specified in its charter)

Oregon
(State or other jurisdiction of
incorporation or organization)

93-0981021
(I.R.S. Employer
Identification No.)

8800 Enchanted Way, S.E.
Turner, OR 97392
(Address of principal executive offices)

Registrant's telephone number, including area code: (503) 588-9463

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☐ No ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2009 was approximately \$17,111,427.

The number of outstanding shares of the registrant's Common Stock as of March 15, 2010 was 4,888,979.

DOCUMENTS INCORPORATED BY REFERENCE

None

Willamette Valley Vineyards, Inc.

FORM 10-K

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As used in this Annual Report on Form 10-K, “we,” “us”, “our” and “the Company” refer to Willamette Valley Vineyards, Inc.

PART I

Item 1. Business.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K, including any information incorporated by reference, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, referred to as the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "intend," "forecast," "anticipate," "believe," "estimate," "predict," "potential," "continue" or the negative of these terms or other comparable terminology, which when used are meant to signify the statement as forward-looking. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements that are not historical facts. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and situations that are difficult to predict and that may cause our own, or our industry's actual results, to be materially different from the future results that are expressed or implied by these statements. Accordingly, actual results may differ materially from those anticipated or expressed in such statements as a result of a variety of factors, including those set forth under Item 1A, “Risk Factors.”

BUSINESS

Introduction

Willamette Valley Vineyards, Inc. (the "Company" or WVV) was formed in May 1988 to produce and sell premium, super premium and ultra premium varietal wines (i.e., wine which sells at retail prices of \$7 to \$14, \$14 to \$20 and over \$20 per 750 ml bottle, respectively). Willamette Valley Vineyards was originally established as a sole proprietorship by Oregon winegrower Jim Bernau in 1983. The Company is headquartered in Turner, Oregon, where the Company's Turner Vineyard and Winery are located on 75 acres of Company-owned land adjacent to Interstate 5, approximately two miles south of Salem, Oregon. The Company's wines are made from grapes grown on the 791 acres of vineyard owned, leased or contracted by the Company, and from grapes purchased from other nearby vineyards. The grapes are harvested, fermented and made into wine at the Company's Turner winery (the "Winery") and the wines are sold principally under the Company's Willamette Valley Vineyards label. Willamette Valley Vineyards is the owner of Tualatin Estate Vineyards and Winery located on approximately 125 acres near Forest Grove, Oregon, and leases an additional 114 acres of vineyard land at the Forest Grove location.

Products

Under its Willamette Valley Vineyards label, the Company produces and sells the following types of wine in 750 ml bottles: Pinot Noir, the brand's flagship and its largest selling varietal in 2009, \$19 to \$50 per bottle; Chardonnay, \$16 to \$20 per bottle; Pinot Gris, \$15 to \$18 per bottle; Riesling and Oregon Blossom (blush blend), \$10 to \$12 per bottle (all bottle prices included herein are the suggested retail prices). The Company's mission for this brand is to become the premier producer of Pinot Noir from the Pacific Northwest.

The Company currently produces and sells small quantities of Oregon's Nog (a seasonal holiday product), \$10 per bottle, and Edelweiss, \$10 per bottle, under a "Made in Oregon Cellars" label.

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Under its Tualatin Estate Vineyards label, the Company currently produces and sells the following types of wine in 750 ml bottles: Pinot Noir, the brand's flagship, \$35 per bottle; Semi-Sparkling Muscat, \$15 per bottle.

Under its Griffin Creek label, the Company produces and sells the following types of wine in 750 ml bottles: Syrah, the brand's flagship, \$38 per bottle; Merlot, \$30 per bottle; Cabernet Sauvignon, \$35 per bottle; Cabernet Franc, \$38 per bottle; The Griffin (a Bordeaux blend), \$60 per bottle; and Viognier, \$25 per bottle. This brand's mission is to be the highest quality producer of Bordeaux and Rhone varietals in Oregon.

The Company holds U.S. federal and/or Oregon state trademark registrations for the trademarks material to the business, including but not limited to, the WILLAMETTE VALLEY VINEYARDS, GRIFFIN CREEK and SIP.SAVE marks.

Market Overview

The United States wine industry has seen a rapid increase in the number of wineries that are being established throughout the country. Since 1999, there has been an increase of 83 percent in the number of wineries located in the United States. In addition, wineries are classified as one of the fastest growing segments in agriculture with an annual growth of 10-15 percent.

In spite of the sluggish economy, the United States is also experiencing growth in the revenue generated from the sale of wine. United States wine consumption registered its 16th consecutive annual gain in 2009 with a mere 0.5 percent increase (30 percent increase in the past decade), as Americans drank more wine than Italians for the first time ever and now trail only the French in total wine consumption. American consumption is expected to further increase in the foreseeable future, and at current rates, the United States will likely surpass France as the world's largest wine-consuming market within five years. Domestically-produced red wines are projected to be the industry's fastest-growing segment, led by Pinot Noir and Cabernet Sauvignon, according to The U.S. Wine Market: Impact Databank Review and Forecast, 2009 Edition. Domestic white varietals are also expected to record volume gains, led by Pinot Gris and Riesling.

More than ever, Americans are seeking value. With a few minor exceptions, the biggest increases in volume among each of the fastest-growing varietals are coming from wines priced between \$3 and \$7 per bottle. Pinot Noir is one of the highest-priced varietals on the market, yet its sales have nearly tripled in the U.S. since the movie Sideways was released in 2004. Yet inexpensive Pinot Noir brands, which are those brands priced below the industry average, are now outpacing the higher-end of the spectrum, by roughly twice the rate for both domestic and imported wines, according to Impact Databank, a provider of data on the wine industry owned by M. Shanken Communications, the parent company of Wine Spectator.

A larger portion of the U.S. population is drinking wine too – 57 percent in 2007, compared to 43 percent in 2000. Unlike previous generations, which typically did not drink wine regularly until they reached their 40s, younger consumers are discovering wine in their 20s and 30s. The proportion of consumers who drink wine at least once a week has also risen, reaching 55 percent. Much of the increase can be attributed to the Millennial generation, those people between ages 23 and 30, who make up 26 percent of the population and account for about 70 million people, second only to the baby boomer generation with 77 million people.

The Oregon Wine Industry

Oregon is a relatively new wine-producing region in comparison to California and France. In 1966, there were only two commercial wineries licensed in Oregon. In 2009 there were 387 commercial wineries licensed in Oregon and 19,400 acres of wine grape vineyards, 15,600 acres of which are currently producing. Total production of Oregon wines in 2009 is estimated to be approximately 2.3 million cases versus 2.1 million cases in 2008. The increase in cases produced is mainly due to the higher harvest yields in 2009 versus 2008. Oregon's entire 2009 production has an estimated retail value of approximately \$466 million, assuming a retail price of \$200 per case, and a FOB value of approximately one-half of the retail value, or \$233 million.

Because of climate, soil and other growing conditions, the Willamette Valley in western Oregon is ideally suited to growing superior quality Pinot Noir, Chardonnay, Pinot Gris and Riesling wine grapes. Some of Oregon's Pinot Noir, Pinot Gris and Chardonnay wines have developed outstanding reputations, winning numerous national and

international awards.

Oregon does have certain disadvantages as a new wine-producing region. Oregon's wines are relatively little known to consumers worldwide and the total wine production of Oregon wineries is small relative to California and French competitors. Greater worldwide label recognition and larger production levels give Oregon's competitors certain financial, marketing, distribution and unit cost advantages.

Furthermore, Oregon's Willamette Valley has an unpredictable rainfall pattern in early autumn. If significantly above-average rains occur just prior to the autumn grape harvest, the quality of harvested grapes is often materially diminished, thereby affecting that year's wine quality.

Finally, phylloxera, an aphid-like insect that feeds on the roots of grapevines, has been found in several commercial vineyards in Oregon. Contrary to the California experience, most Oregon phylloxera infestations have expanded very slowly and done only minimal damage. Nevertheless, phylloxera does constitute a significant risk to Oregon vineyards. Prior to the discovery of phylloxera in Oregon, all vine plantings in the Company's Vineyard were with non-resistant rootstock. As of December 31, 2009, the Company has not detected any phylloxera at its Turner site. Beginning with the Company's plantings in May 1992, only phylloxera-resistant rootstock is used. In 1997, the Company purchased Tualatin Vineyards, which has phylloxera at its site. All plantings are on and all future planting will be on phylloxera resistant rootstock. The Company takes all necessary precautions to prevent the spread of phylloxera to its Turner site.

As a result of these factors, subject to the risks and uncertainties identified above, the Company believes that long-term prospects for growth in the Oregon wine industry are excellent. The Company believes that over the next several years the Oregon wine industry will grow at a faster rate than the overall domestic wine industry, and that much of this growth will favor producers of premium, super premium and ultra premium wines such as the Company's.

2009 Oregon Harvest

The National Agricultural Statistics report states that the total yield per harvested acre in Oregon was up 11% in 2009. The planting of new grape acreage slowed in 2009 with 1,098 acres of new acres planted compared to 1,570 in 2008. There was a net gain of only 1 winery in Oregon with an 11% decrease in total cooperage. Case sales of Oregon wine decreased 5% in 2009 and wine sales in dollars decreased 16% from a year ago. The average price per ton for all grapes harvested in Oregon decreased from \$2,050 per ton in 2008 to \$1,910 per ton in 2009. Total wine production in Oregon increased 16% and topped 40,000 tons for the first time in 2009.

Company Strategy

The Company, one of the largest wineries in Oregon by volume, believes its success is dependent upon its ability to: (1) grow and purchase high quality vinifera wine grapes; (2) vinify the grapes into premium, super premium and ultra premium wine; (3) achieve significant brand recognition for its wines, first in Oregon and then nationally and internationally; and (4) effectively distribute and sell its products nationally. The Company's goal is to continue as one of Oregon's largest wineries, and establish a reputation for producing some of Oregon's finest, most sought-after wines.

Based upon several highly regarded surveys of the U.S. wine industry, the Company believes that successful wineries exhibit the following four key attributes: (i) focus on production of high-quality premium, super premium and ultra premium varietal wines; (ii) achieve brand positioning that supports high bottle prices for its high quality wines; (iii) build brand recognition by emphasizing restaurant sales; and (iv) develop strong marketing advantages (such as a highly visible winery location, successful self-distribution, and life-long customer service programs).

To successfully execute this strategy, the Company has assembled a team of accomplished winemaking professionals and has constructed and equipped a 22,934 square foot state-of-the-art Winery and a 12,500 square foot outdoor production area for the harvesting, pressing and fermentation of wine grapes.

The Company's marketing and selling strategy is to sell its premium, super premium and ultra premium cork-finished-wine through a combination of (i) direct sales at the Winery, (ii) self-distribution to Oregon regional restaurants and retail outlets, and (iii) sales through independent distributors and wine brokers who market the Company's wine in specific targeted areas where self-distribution is not economically feasible.

The Company believes the location of its Winery next to Interstate 5, Oregon's major north-south freeway, significantly increases direct sales to consumers and facilitates self-distribution of the Company's products. The Company believes this location provides high visibility for the Winery to passing motorists, thus enhancing recognition of the Company's products in retail outlets and restaurants. The Company's Hospitality Center has further increased the Company's direct sales and enhanced public recognition of its wines.

Vineyard

The Company now owns, leases, or contracts for 791 acres of vineyard land. The vineyards the company owns and leases are all certified sustainable by LIVE (Low Input Viticulture and Enology) and Salmon Safe. At full production, we anticipate these vineyards will enable the Company to grow approximately 85% of the grapes needed to meet the Winery's ultimate production capacity of 298,000 gallons (129,000 cases).

The Property. The Company's estate vineyard at the Turner site currently has 48 acres planted and producing, with 24 acres of "certified organic" (by Oregon Tilth) Pinot Noir and 24 acres of Pinot Gris and Chardonnay. The oldest grapevines were planted in 1985, with additional grapevines planted in 1992, 1993, and 1999. Vineyards generally remain productive for 30 to 100 years, depending on weather conditions, disease and other factors. We estimate these vines will continue to produce for another 35 years under conditions known today.

The Estate Vineyard uses an elaborate trellis design known as the Geneva Double Curtain. The Company has incurred the additional expense of constructing this trellis because it doubles the number of canes upon which grape clusters grow and spreads these canes for additional solar exposure and air circulation. Research and practical applications of this trellis design indicate that it should improve grape quality through smaller clusters and berries over traditional designs.

Beginning in 1997, the Company embarked on a major effort to improve the quality of its flagship varietal by planting new Pinot Noir clones that originated directly from the cool climate growing region of Burgundy rather than the previous source, Napa, California, where winemakers believe the variety adapted to the warmer climate over the many years it was grown there.

These new French clones are called "Dijon clones" after the University of Dijon in Burgundy, which assisted in their selection and shipment to a U.S. government authorized quarantine site, and then seven years later to Oregon winegrowers. The most desirable of these new Pinot Noir clones are numbered 113, 114, 115, 667 and 777. In addition to certain flavor advantages, these clones ripen up to two weeks earlier, allowing growers to pick before heavy autumn rains. Heavy rains can dilute concentrated fruit flavors and promote bunch rot and spoilage. These new Pinot Noir clones were planted at the Tualatin Estate on disease resistant rootstock and the 667 and 777 clones have been grafted onto 7 acres of self rooted, non-disease resistant vines at the Company's Estate Vineyard near Turner.

New clones of Chardonnay preceded Pinot Noir into Oregon and were planted at the Company's Estate Vineyard on disease resistant rootstock.

In 2009 an additional 8 acres of Pinot Noir was planted at the Estate on property acquired through lot line adjustment and purchase.

The purchase of Tualatin Vineyards, Inc. in April 1997 (including the subsequent sale-leasebacks of portions of the property in December 1999 and 2004) added 83 acres of additional producing vineyards and approximately 60 acres of bare land for future plantings. In 1997, the Company planted 19 acres at the Tualatin site and planted another 41 acres in 1998, the majority being Pinot Noir. In 2009 an additional 5 acres was planted at Tualatin Vineyards on property acquired through lot line adjustment and purchase.

In 1999, the Company purchased 33 acres of vineyard land adjoining Tualatin Estate for future plantings and used lot line adjustments to create three separate land parcels at Tualatin Estate. In 2005 and 2006, the Company planted 23 acres and 10 acres respectively, of mainly Pinot Gris and Pinot Noir.

Grape Supply. In 2009, the Company's 48 acres of producing estate vineyard yielded approximately 195 tons of grapes for the Winery's twenty first harvest. Tualatin Vineyards produced 708 tons of grapes in 2009. Elton Vineyards produced 128 tons of grapes in 2009. In 2009, the Company purchased an additional 1,103 tons of grapes from other growers. The Winery's 2009 total wine production was 314,067 gallons (132,072 cases) from its 2008 and 2009 harvests. The Company expects to produce approximately 300,000 gallons in 2010 (125,000 cases) from its 2009 harvest. The Vineyard cannot and will not provide the sole supply of grapes for the Winery's near-term production requirements.

In 2005, the Company entered into a long-term grape purchase agreement with one of its Willamette Valley wine grape growers whereby the grower agreed to plant 40 acres of Pinot Gris and 50 acres of Riesling and the Winery agreed to purchase the yield at fixed contract prices through 2015, with the first crop received in 2007. In 2006, the Company entered into a long-term grape purchase agreement with the same Willamette Valley wine grape grower whereby the grower agreed to plant 100 acres of Pinot Noir, 50 acres of Pinot Gris and 20 acres of Riesling and the Winery agreed to purchase the yield at fixed contract prices through 2016, with the first crop expected in 2008. The wine grape grower must meet strict quality standards for the wine grapes to be accepted by the Winery at time of harvest and delivery. The Company is obligated to purchase 100% of the crop produced within the strict quality standards and crop loads, equating to maximum payments of approximately \$1,500,000 per year. We cannot calculate the minimum payment as such a calculation is dependent in large part on an unknown – the amount of grapes produced in any given year. If there are no grapes produced in any given year, or if the grapes are rejected for failure to meet contractual quality standards, the Company has no payment obligation for that year. Failure of the grower to comply with the provisions of the contracts would constitute a default, allowing the Company to recover damages, including expected lost profits. The Company has no right to use of the underlying properties. These new long-term grape purchase agreements will increase the Company's supply of high quality wine grapes and provide a long-term grape supply, at fixed prices.

In 2007 the Company entered into a lease agreement for approximately 60 acres of vineyard land at Elton Vineyards. The acreage is mostly planted in Pinot Noir. This lease is for a 10 year term with four five-year renewals at the Company's option and a first right of refusal in the event of the vineyard's sale. For 2009, the annual costs of this lease were \$109,000. For subsequent years there is an escalation provision tied to the CPI not to exceed 2% per annum.

In 2008 the Company purchased 80 acres and also entered into a 34 year lease agreement with a property owner in the Eola Hills for an additional 124 acres. Both the purchased and leased properties are adjacent to the existing Elton Vineyards site. The 80 and 124 acres are currently planted in Christmas trees but will be developed into vineyards over the next few years. Terms of the lease agreement contain rent escalation that rises as the vineyard is developed.

The Company fulfills its remaining grape needs by purchasing grapes from other nearby vineyards at competitive prices or from bulk wine purchases from neighboring wineries. The Company believes high quality grapes and bulk wine will be available for purchase in sufficient quantity to meet the Company's requirements. The grapes grown on the Company's vineyards establish a foundation of quality, through the Company's farming practices, upon which the quality of the Company's wines is built. In addition, wine produced from grapes grown in the Company's own vineyards may be labeled as "Estate Bottled" wines. These wines traditionally sell at a premium over non-estate bottled wines.

Viticultural Conditions. Oregon's Willamette Valley is recognized as a premier location for growing certain varieties of high quality wine grapes, particularly Pinot Noir, Chardonnay, Riesling and Pinot Gris. The Company believes that the Vineyard's growing conditions, including its soil, elevation, slope, rainfall, evening marine breezes and solar orientation are among the most ideal conditions in the United States for growing certain varieties of high-quality wine grapes. The Vineyard's grape growing conditions compare favorably to those found in some of the famous Viticultural regions of France. Western Oregon's latitude (42o-46o North) and relationship to the eastern edge of a major ocean is very similar to certain centuries-old wine grape growing regions of France. These conditions are unduplicated anywhere else in the world except in the great wine grape regions of Northern Europe.

The Vineyard's soil type is Jory/Nekia, a dark, reddish-brown, silky clay loam over basalt bedrock, noted for being well drained, acidic, of adequate depth, retentive of appropriate levels of moisture and particularly suited to growing high quality wine grapes.

The Vineyard's elevation ranges from 533 feet to 700 feet above sea level with slopes from 2 percent to 30 percent (predominately 12-20 percent). The Vineyard's slope is oriented to the south, southwest and west. Average annual precipitation at the Vineyard is 41.3 inches; average annual air temperature is 52 to 54 degrees Fahrenheit, and the length of each year's frost-free season averages from 190 to 210 days. These conditions compare favorably with conditions found throughout the Willamette Valley viticultural region and other domestic and foreign viticultural regions, which produce high quality wine grapes.

In the Willamette Valley, permanent vineyard irrigation generally is not required. The average annual rainfall provides sufficient moisture to avoid the need to irrigate the Vineyard. However, if the need should arise, the Company's Estate property contains one water well which can sustain sufficient volume to meet the needs of the Winery and to provide auxiliary water to the Vineyard for new plantings and unusual drought conditions. At Tualatin Estate vineyard the Company has water rights to a year round spring that feeds an irrigation pond.

Susceptibility of Vineyards to Disease. The Tualatin Vineyard and the leased vineyards are known to be infested with phylloxera, an aphid-like insect, which can destroy vines. The Company has not detected any phylloxera at its Turner Vineyard.

It is not possible to estimate any range of loss that may be incurred due to the phylloxera infestation of our vineyards. The phylloxera at Tualatin Estate Vineyard is believed to have been introduced on the roots of the vines first planted on the property in the southern most section Gewurztraminer in 1971 that the Company partially removed in 2004. The remaining vines, and all others infested, remain productive at low crop levels

Winery

Wine Production Facility. The Company's Winery and production facilities are capable of efficiently producing up to 125,000 cases (297,000 gallons) of wine per year, depending on the type of wine produced. In 2009, the Winery produced 314,067 gallons (132,072 cases) from its 2008 and 2009 harvests. The Winery is 12,784 square feet in size and contains areas for processing, fermenting, aging and bottling wine, as well as an underground wine cellar, a tasting room, a retail sales room and administrative offices. There is a 12,500 square foot outside production area for harvesting, pressing and fermenting wine grapes, and a 4,000 square foot insulated storage facility with a capacity of 30,000 cases of wine. The Company also has a 20,000 square foot storage building to store its inventory of bottled product. The production area is equipped with a settling tank and sprinkler system for disposing of wastewater from the production process in compliance with environmental regulations.

With the purchase of Tualatin Vineyards, Inc., the Company added 20,000 square feet of additional production capacity. Although the Tualatin facility was constructed over twenty years ago, it adds 25,000 cases (59,000 gallons) of wine production capacity to the Company, which the Company felt at the time of purchase was needed. Production and sales volumes have not expanded enough to necessitate the utilization of the Tualatin facilities. The Company decided to move current production to its Turner site to meet short-term production requirements. The capacity at Tualatin is available to the Company to meet any anticipated future production needs. In 2008, the Company replaced the roof and production floor, insulation and walls, in anticipation of using it for wine storage and future production. The space is presently used to store bottled inventory.

Hospitality Facility. The Company has a large tasting and hospitality facility of 19,470 square feet (the "Hospitality Center"). The first floor of the Hospitality Center includes retail sales space and a "great room" designed to accommodate approximately 400 persons for gatherings, meetings, weddings and large wine tastings. An observation tower and decking around the Hospitality Center enable visitors to enjoy the view of the Willamette Valley and the Company's Vineyard. The Hospitality Center is joined with the present Winery by an underground cellar tunnel. The facility includes a basement cellar of 10,150 square feet (including the 2,460 square foot underground cellar tunnel) to expand storage of the Company's wine in a proper environment. The cellar provides the Winery with ample space for storing up to 1,600 barrels of wine for aging.

Just outside the Hospitality Center, the Company has a landscaped park setting consisting of one acre of terraced lawn for outdoor events and five wooded acres for picnics and social gatherings. The area between the Winery and the Hospitality Center forms a 20,000 square foot quadrangle. As designed, a removable fabric top can cover the quadrangle, making it an all-weather outdoor facility to promote sale of the Company's wines through outdoor festivals and social events.

The Company believes the Hospitality Center and the park and quadrangle make the Winery an attractive recreational and social destination for tourists and local residents, thereby enhancing the Company's ability to sell its wines.

Mortgages on Properties. The Company's winery facilities in Turner are subject to three mortgages with an aggregate principal balance of \$3,718,868 at December 31, 2009. The mortgage is payable in monthly aggregate installments, including principal and interest, of approximately \$604,000 annually through 2011, \$263,000 annually from 2012 through 2024 and \$137,000 annually from 2025 through 2028. These payments include new debt incurred in 2009. The Board of Directors accepted management's proposal to incur additional debt on the property of \$1.5 million in 2009 for the purpose of paying down short term revolving credit. The company felt this was a reasonably conservative approach to expansion in light of the fact that the original mortgage of \$1.3 million will be paid off in two years.

Wine Production. The Company operates on the principle that winemaking is a natural but highly technical process requiring the attention and dedication of the winemaking staff. The Company's Winery is equipped with current technical innovations and uses modern laboratory equipment and computers to monitor the progress of each wine through all stages of the winemaking process.

The Company's recent annual grape harvest and wine production is as follows:

Harvest Year	Tons of Grapes Harvested	Gallons of Bulk Purchases	Production Year	Cases Produced
2005	1,132		2005	72,297
2006	1,488		2006	81,081
2007	1,746		2007	115,466
2008	1,425	57,736	2008	121,027
2009	2,133	74,954	2009	132,072

Cases produced per ton harvested often varies between years mainly due to the timing of when the cases are produced.

Sales and Distribution

Marketing Strategy. The Company markets and sells its wines through a combination of direct sales at the Winery, sales directly and indirectly through its shareholders, self-distribution to local restaurants and retail outlets in Oregon, directly through mailing lists, and through distributors and wine brokers selling in specific targeted areas outside of the state of Oregon. As the Company has increased production volumes and achieved greater brand recognition, sales to other domestic markets have increased, both in terms of absolute dollars and as a percentage of total Company sales.

We believe that online, consumer wine reviews are and will continue to play a significant role in “word of mouth” recommendations and consumer choices, and thus have been focusing our efforts in recent years on generating online interest in Willamette Valley Vineyards and its wines.

Our online efforts include the world of social marketing, and Willamette Valley Vineyards is now active on Facebook and Twitter. We also upload videos to YouTube and have re-launched the company blog. The number of people who follow us on each of these applications has grown consistently since these programs have been active.

Direct Sales. The Company's Winery is located adjacent to the state's major north-south freeway (Interstate 5), approximately 2 miles south of the state's third largest metropolitan area (Salem), and 50 miles in either direction from the state's first and second largest metropolitan areas (Portland and Eugene, respectively). The Company believes the Winery's unique location along Interstate 5 has resulted in a greater amount of wines sold at the Winery as compared to the Oregon industry standard. Direct sales from the Winery are an important distribution channel and an effective means of product promotion. To increase brand awareness, the Company offers educational Winery tours and product presentations by trained personnel.

The Company holds four major festivals and events at the Winery each year. In addition, open houses are held at the Winery during major holiday weekends such as Memorial Day, Independence Day, Labor Day and Thanksgiving, where barrel tastings and cellar tours are given. Numerous private parties, wedding receptions and political and other events are also held at the Winery.

Direct sales are profitable because the Company is able to sell its wine directly to consumers at retail prices rather than to distributors or retailers at wholesale prices. Sales made directly to consumers at retail prices result in an increased profit margin equal to the difference between retail prices and distributor or wholesale prices, as the case may be. For 2009, direct sales contributed approximately 15% of the Company's revenue.

In September 2009, Willamette Valley Vineyards launched our partnership with Travel Salem at their new downtown Travel Café facility. This partnership now offers visitors and local consumers the opportunity to taste the “Fruit of the Vine” at a newly created tasting room and retail outlet. The goal of this partnership is to raise awareness and interest in the region’s rich wine country, and ultimately lead to an increased regional economic impact from tourism.

Self-Distribution. In 1990, the Company established a self-distribution wholesale system, now called Bacchus Fine Wines, to sell its wines to restaurant and retail accounts located in Oregon. Eighteen sales representatives, who take wine orders and make some deliveries primarily on a commission-only basis, currently carry out the self-distribution program. Company-provided trucks and delivery drivers support most of these sales representatives. The Company believes this program of self-representation and delivery has allowed its wines to gain a strong presence in the Oregon market with over 800 restaurant and retail accounts established as of December 31, 2009.

The Company has expended significant resources to establish its self-distribution system. The system initially focused on distribution in the Willamette Valley, but has expanded to the Oregon coast, southern Oregon and central Oregon. For 2009, approximately 47% of the Company's net revenues were attributable to self-distribution.

Distributors and Wine Brokers. The Company uses both independent distributors and wine brokers primarily to market the Company's wines in specific targeted areas where self-distribution is not feasible. Only those distributors and wine brokers who have demonstrated knowledge of and a proven ability to market premium, super premium, and ultra premium wines are utilized. Outside of Oregon, the Company’s products are distributed in 50 states and the District of Columbia and 8 non-domestic (export) customers. In 2009 and 2008, approximately 38% and 37% of the Company’s net revenues were attributable to out of state distribution.

Tourists. Oregon wineries are a popular tourist destination with many bed & breakfasts, motels and fine restaurants available. The Willamette Valley, Oregon’s leading wine region has two-thirds of the state’s wineries and vineyards and is home to approximately 400 wineries. An additional advantage for the Willamette Valley wine tourist is the proximity of the wineries to Portland (Oregon’s largest city and most popular destination). From Portland, tourists can visit the Willamette Valley winery of their choice in anywhere from 45 minutes to two hours.

The Company believes its convenient location, adjacent to Interstate 5, enables the Winery to attract a significant number of visitors. The Winery is located 45 minutes from Portland and less than one mile from The Enchanted Forest, which operates from March 15 to September 30 each year and attracts approximately 130,000 paying visitors per year. Adjacent to the Enchanted Forest is the Forest Glen Recreational Vehicle Park, which contains approximately 110 overnight recreational vehicle sites. Many of the visitors to the Enchanted Forest and RV Park visit the Winery.

Competition

The wine industry is highly competitive. In a broad sense, wines may be considered to compete with all alcoholic and nonalcoholic beverages. Within the wine industry, the Company believes that its principal competitors include wineries in Oregon, California and Washington, which, like the Company, produce premium, super premium, and ultra premium wines. Wine production in the United States is dominated by large California wineries that have significantly greater financial, production, distribution and marketing resources than the Company. Currently, no Oregon winery dominates the Oregon wine market. Several Oregon wineries, however, are older and better established and have greater label recognition than the Company.

The Company believes that the principal competitive factors in the premium, super premium, and ultra premium segment of the wine industry are product quality, price, label recognition, and product supply. The Company believes it competes favorably with respect to each of these factors. The Company has received “Excellent” to “Recommended”

reviews in tastings of its wines and believes its prices are competitive with other Oregon wineries. Larger scale production is necessary to satisfy retailers' and restaurants' demand and the Company believes that additional production capacity is needed to meet estimated future demand. Furthermore, the Company believes that its ultimate forecasted production level of 297,000 gallons (125,000 cases) per year will give it significant competitive advantages over most Oregon wineries in areas such as marketing, distribution arrangements, grape purchasing, and access to financing. The current production level of most Oregon wineries is generally much smaller than the projected production level of the Company's Winery. With respect to label recognition, the Company believes that its unique structure as a consumer-owned company will give it a significant advantage in gaining market share in Oregon as well as penetrating other wine markets.

Governmental Regulation of the Wine Industry

The production and sale of wine is subject to extensive regulation by the U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau and the Oregon Liquor Control Commission. The Company is licensed by and meets the bonding requirements of each of these governmental agencies. Sale of the Company's wine is subject to federal alcohol tax, payable at the time wine is removed from the bonded area of the Winery for shipment to customers or for sale in its tasting room. The current federal alcohol tax rate is \$1.07 per gallon for wines with alcohol content at or below 14% and \$1.57 per gallon for wines with alcohol content above 14%; however, wineries that produce not more than 250,000 gallons during the calendar year are allowed a graduated tax credit of up to \$0.90 per gallon on the first 100,000 gallons of wine (other than sparkling wines) removed from the bonded area during that year. The Company also pays the state of Oregon an excise tax of \$0.67 per gallon for wines with alcohol content at or below 14% and \$0.77 per gallon for wines with alcohol content above 14% on all wine sold in Oregon. In addition, all states in which the Company's wines are sold impose varying excise taxes on the sale of alcoholic beverages. As an agricultural processor, the Company is also regulated by the Oregon Department of Agriculture and, as a producer of wastewater, by the Oregon Department of Environmental Quality. The Company has secured all necessary permits to operate its business.

Prompted by growing government budget shortfalls and public reaction against alcohol abuse, Congress and many state legislatures are considering various proposals to impose additional excise taxes on the production and sale of alcoholic beverages, including table wines. Some of the excise tax rates being considered are substantial. The ultimate effects of such legislation, if passed, cannot be assessed accurately since the proposals are still in the discussion stage. Any increase in the taxes imposed on table wines can be expected to have a potentially adverse impact on overall sales of such products. However, the impact may not be proportionate to that experienced by producers of other alcoholic beverages and may not be the same in every state.

Employees

As of December 31, 2009 the Company had 98 full-time employees and 37 part-time employees. In addition, the Company hires additional employees for seasonal work as required. The Company's employees are not represented by any collective bargaining unit. The Company believes it maintains positive relations with its employees.

Additional Information

The Company files quarterly and annual reports with the Securities and Exchange Commission. The public may read and copy any material that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. As the Company is an electronic filer, filings may be obtained via the SEC website at (www.sec.gov). Also visit the Company's website (www.wvv.com).

Item 1A.

Risk Factors.

The following disclosures should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations. These disclosures are intended to discuss certain material risks of the Company's business as they appear to Management at this time. However, this list is not exhaustive. Other risks may, and likely will, arise from time to time.

Agricultural risks could adversely affect our business

Winemaking and grape growing are subject to a variety of agricultural risks. Various diseases, pests, fungi, viruses, drought, frost and certain other weather conditions can affect the quantity of grapes available to the Company, decreasing the supply of the Company's products and negatively impacting profitability. In particular, certain of the Company's vines are not resistant to phylloxera; accordingly, those vines are particularly at risk to the effects from an infestation of phylloxera. Phylloxera is a pest that attacks the rootstocks of wine grape plants. Vineyards in the United States, including some in Oregon and some owned by us, have been infested in recent years with Phylloxera. Since May of 1992, our vineyard properties have been planted with rootstocks believed to be resistant to Phylloxera. However, rootstocks planted by us prior to 1992 are not resistant. There can be no assurance that our existing vineyards, or the rootstocks we are now using in our planting programs, will not become susceptible to current or new strains of Phylloxera. Pierce's Disease is a vine bacterial disease. It kills grapevines and there is no known cure. Small insects called Sharpshooters spread this disease. A new strain of the Sharpshooter was discovered in Southern California and is believed to be migrating north. We are actively supporting the efforts of the agricultural industry to control this pest and are making every reasonable effort to prevent an infestation in our own vineyards. We cannot, however, guarantee that we will succeed in preventing contamination in our vineyards. Future government restrictions regarding the use of certain materials used in grape growing may increase vineyard costs and/or reduce production. Additionally, long-term changes in weather patterns could adversely affect our business.

We may not be able to grow or acquire enough quality fruit for our wines

The adequacy of our grape supply is influenced by consumer demand for wine in relation to industry-wide production levels. While we believe that we can secure sufficient supplies of grapes from a combination of our own production and from grape supply contracts with independent growers, we cannot be certain that grape supply shortages will not occur. A shortage in the supply of wine grapes could result in an increase in the price of some or all grape varieties and a corresponding increase in our wine production costs.

Loss of key employees could harm our reputation and business

Our success depends to some degree upon the continued service of a number of key employees. The loss of the services of one or more of our key employees, including the President, Winemaker, and CFO, could harm our business and our reputation and negatively impact our profitability, particularly if one or more of our key employees resigns to join a competitor or to form a competing company.

Investments in our Bacchus portfolio may harm our business

The Company has invested heavily in products for resale through our Bacchus Fine Wines department. The Company believes that having these products for sale will make it easier to sell additional Company product to the same buyers. If this strategy proves to be unsuccessful, the Company will have substantial inventory of non-Company products to sell at prices that may not cover our costs of such inventory and may result in our selling less Company product than anticipated. Either or both effects could adversely affect our profitability and shareholder value.

The Company's ability to operate requires utilization of the line of credit

The Company's cash flow from operations historically has not been sufficient to provide all funds necessary for the Company's Operations. The Company has entered into a line of credit agreement to provide such funds and entered into term loan arrangements, the proceeds of which were used to acquire the Tualatin operations, construct the Hospitality Center and pay down the revolving line of credit. There is no assurance that the Company will be able to comply with all conditions under its credit facilities in the future or that the amount available under the line of credit facility will be adequate for the Company's future needs. Failure to comply with all conditions of the credit facilities or to have sufficient funds for operations could adversely affect the Company's results of operations and shareholder value.

Costs of being a publicly-held company may put us at a competitive disadvantage

As a public company, we incur substantial costs that are not incurred by our competitors that are privately-held. These compliance costs may result in our wines being more expensive than those produced by our competitors and/or may reduce our profitability compared to such competitors.

We face significant competition which could adversely affect our profitability

The wine industry is intensely competitive and highly fragmented. Our wines compete in several premium wine market segments with many other premium domestic and foreign wines, with imported wines coming from the Burgundy and Bordeaux regions of France, as well as Italy, Chile, Argentina, South Africa and Australia. Our wines also compete with popular priced generic wines and with other alcoholic and, to a lesser degree, non-alcoholic beverages, for shelf space in retail stores and for marketing focus by our independent distributors, many of which carry extensive brand portfolios. A result of this intense competition has been and may continue to be upward pressure on our selling and promotional expenses. In addition, the wine industry has experienced significant consolidation. Many of our competitors have greater financial, technical, marketing and public relations resources than we do. Our

sales may be harmed to the extent we are not able to compete successfully against such wine or alternative beverage producers' costs. There can be no assurance that in the future we will be able to successfully compete with our current competitors or that it will not face greater competition from other wineries and beverage manufacturers.

We compete for shelf space in retail stores and for marketing focus by our independent distributors, most of whom carry extensive product portfolios

In Oregon, we sell our products principally through self-distribution to retail outlets including grocery stores, package liquor stores, club and discount stores and restaurants. Outside of Oregon, we sell our products primarily through independent distributors and brokers for resale to retail outlets, restaurants, hotels and private clubs across the United States and in some overseas markets. Sales to distributors are expected to continue to represent a substantial portion of our net revenues in the future. A change in our relationship with any of our significant distributors or a change in our ability to compete with distributors in Oregon for shelf space could harm our business and reduce our sales. The laws and regulations of several states prohibit changes of distributors, except under certain limited circumstances, making it difficult to terminate a distributor for poor performance without reasonable cause, as defined by applicable statutes. Any difficulty or inability to replace distributors, poor performance of our major distributors or our inability to collect accounts receivable from our major distributors could harm our business. There can be no assurance that the distributors and retailers we use will continue to purchase our products or provide our products with adequate levels of promotional support. Consolidation at the retail tier, among club and chain grocery stores in particular, can be expected to heighten competitive pressure to increase marketing and sales spending or constrain or reduce prices.

Fluctuations in quantity and quality of grape supply could adversely affect us

A shortage in our supply of quality grapes may result from a variety of factors that determine the quality and quantity of our grape supply, including weather conditions, pruning methods, diseases and pests and the number of vines producing grapes. Any shortage in our grape production could cause a reduction in the amount of wine we are able to produce, which could reduce our sales and adversely impact our results from operations. Factors that reduce the quantity of our grapes may also reduce their quality, which in turn could reduce the quality or amount of wine we produce. Deterioration in the quality of our wines could harm our brand name and could reduce our sales and adversely impact our results of operations.

Contamination of our wines would harm our business

We are subject to certain hazards and product liability risks, such as potential contamination, through tampering or otherwise, of ingredients or products. Contamination of any of our wines could cause us to destroy our wine held in inventory and could cause the need for a product recall, which could significantly damage our reputation for product quality. We maintain insurance against certain of these kinds of risks, and others, under various insurance policies. However, our insurance may not be adequate or may not continue to be available at a price or on terms that are satisfactory to us and this insurance may not be adequate to cover any resulting liability.

A reduction in consumer demand for premium wines could harm our business

There have been periods in the past in which there were substantial declines in the overall per capita consumption of beverage alcohol products in the United States and other markets in which we participate. A limited or general decline in consumption in one or more of our product categories could occur in the future due to a variety of factors, including: a general decline in economic conditions; increased concern about the health consequences of consuming beverage alcohol products and about drinking and driving; a trend toward a healthier diet including lighter, lower calorie beverages such as diet soft drinks, juices and water products; the increased activity of anti-alcohol consumer groups; and increased federal, state or foreign excise and other taxes on beverage alcohol products. The competitive position of our products could also be affected adversely by any failure to achieve consistent, reliable quality in the product or service levels to customers.

Changes in consumer spending could have a negative impact on our financial condition and business results

Wine sales depend upon a number of factors related to the level of consumer spending, including the general state of the economy, federal and state income tax rates, deductibility of business entertainment expenses under federal and state tax laws, and consumer confidence in future economic conditions. Changes in consumer spending in these and other regions can affect both the quantity and the price of wines that customers are willing to purchase at restaurants or through retail outlets. Reduced consumer confidence and spending may result in reduced demand for our products, limitations on our ability to increase prices and increased levels of selling and promotional expenses. This, in turn, may have a considerable negative impact upon our sales and profit margins.

Increased regulation could adversely affect us

The wine industry is subject to extensive regulation by the Federal Alcohol Tobacco Tax and Trade Bureau ("TTB") and various foreign agencies, state liquor authorities, such as the Oregon Liquor Control Commission ("OLCC"), and local authorities. These regulations and laws dictate such matters as licensing requirements, trade and pricing practices, permitted distribution channels, permitted and required labeling, and advertising and relations with wholesalers and retailers. Any expansion of our existing facilities or development of new vineyards or wineries may be limited by present and future zoning ordinances, environmental restrictions and other legal requirements. In addition, new regulations or requirements or increases in excise taxes, income taxes, property and sales taxes or international tariffs, could affect our financial condition or results of operations. Recently, many states have considered proposals to increase, and some of these states have increased, state alcohol excise taxes. New or revised regulations or increased licensing fees, requirements or taxes could have a material adverse effect on our financial condition or results of operations. There can be no assurance that new or revised regulations or increased licensing fees and requirements will not have a material adverse effect on our business and our results of operations and our cash flows.

Our common stock is thinly traded, and therefore not as liquid as other investments

The trading volume of our common stock on NASDAQ is consistently "thin," in that there is not a great deal of trading activity on a daily basis. Because the average active trading volume is thin, there is less opportunity for shareholders to sell their shares of our common stock on the open market, resulting in the common stock being less liquid than common stock in other publicly traded companies.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Vineyards. The Company owns, leases, or contracts for 791 acres of vineyard land of which 290 acres is owned and 501 acres leased or under contract for grape purchases.

Wine Production Facility. The Company's Winery and production facilities are capable of efficiently producing up to 125,000 cases (297,000 gallons) of wine per year, depending on the type of wine produced. In 2009, the Winery produced 314,067 gallons (132,072 cases) from its 2008 harvest. The Winery is 12,784 square feet in size and contains areas for processing, fermenting, aging and bottling wine, as well as an underground wine cellar, a tasting room, a retail sales room and administrative offices. There is a 12,500 square foot outside production area for harvesting, pressing and fermenting wine grapes, and a 4,000 square foot insulated storage facility with a capacity of 30,000 cases of wine. The Company also has a 20,000 square foot storage building to store its inventory of bottled product. The production area is equipped with a settling tank and sprinkler system for disposing of wastewater from the production process in compliance with environmental regulations. The Company has a large tasting and hospitality facility of 19,470 square feet (the "Hospitality Center"). The facility includes a basement cellar of 10,150 square feet (including the 2,460 square foot underground cellar tunnel) to expand storage of the Company's wine in a proper environment. The cellar provides the Winery with ample space for storing up to 1,600 barrels of wine for aging.

See additional discussion of vineyard & wine production facility under Item 1. Business

The Company carries Property and Liability insurance coverage in amounts deemed adequate by Management.

Item 3. Legal Proceedings.

There are no material legal proceedings pending to which the Company is a party or to which any of its property is subject, and the Company's management does not know of any such action being contemplated.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders during the Company's Fourth Quarter ended December 31, 2009.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

The Company's Common Stock is traded on the NASDAQ Capital Market under the symbol "WVVI."

The following table below sets forth for the quarters indicated the high and low intraday sales prices for the Company's Common Stock as reported on the NASDAQ Capital Market.

Quarters Ended 2009

	3/31/09	6/30/09	9/30/09	12/31/09
High	\$ 3.60	\$ 4.20	\$ 4.19	\$ 4.25
Low	\$ 2.03	\$ 2.28	\$ 2.66	\$ 3.07

Quarters Ended 2008

	3/31/08	6/30/08	9/30/08	12/31/08
High	\$ 7.50	\$ 7.50	\$ 5.54	\$ 5.35
Low	\$ 5.61	\$ 4.96	\$ 4.00	\$ 1.88

Holders

As of March 15, 2010, we had approximately 2,786 stockholders of record.

Dividends

The Company has not paid any dividends on the Common Stock, and the Company does not anticipate paying any dividends in the foreseeable future. The Company intends to use its earnings to grow the distribution of its brands, improve the quality of its products and reduce debt.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

Not required to be provided.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and related notes. Some statements and information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations are not historical facts but are forward-looking statements. For a discussion of these forward-looking statements, and of important factors that could cause results to differ materially from the forward-looking statements contained in this report, see Item 1 of Part I, "Business — Forward-Looking Statements"

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses Willamette Valley Vineyards' financial statements, which have been prepared in accordance with generally accepted accounting principles. As such, management is required to make certain estimates, judgments and assumptions that are believed to be reasonable based upon the information available. On an on-going basis, management evaluates its estimates and judgments, including those related to product returns, bad debts, inventories, investments, income taxes, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company's principal sources of revenue are derived from sales and distribution of wine. Revenue is recognized from wine sales at the time of shipment and passage of title. Our payment arrangements with customers provide primarily 30 day terms and, to a limited extent, 45 day, 60 day or longer terms for some international customers.

The Company values inventories at the lower of actual cost to produce the inventory or market value. We regularly review inventory quantities on hand and adjust our production requirements for the next twelve months based on estimated forecasts of product demand. A significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand. In the future, if our inventory cost is determined to be greater than the net realizable value of the inventory upon sale, we would be required to recognize such excess costs in our cost of goods sold at the time of such determination. Therefore, although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand could have a significant impact on the ultimate selling price and, therefore, the carrying value of our inventory and our reported operating results.

We capitalize internal vineyard development costs prior to the vineyard land becoming fully productive. These costs consist primarily of the costs of the vines and expenditures related to labor and materials to prepare the land and construct vine trellises. Amortization of such costs as annual crop costs is done on a straight-line basis for the estimated economic useful life of the vineyard, which is estimated to be 30 years. The Company regularly evaluates the recoverability of capitalized costs. Amortization of vineyard development costs are included in capitalized crop costs that, in turn are included in inventory costs and ultimately become a component of cost of goods sold.

The Company pays depletion allowances to the Company's distributors based on their sales to their customers. The Company sets these allowances on a monthly basis and the Company's distributors bill them back on a monthly basis. All depletion expenses associated with a given month are expensed in that month as a reduction of revenues. The Company also pays a sample allowance to some of the Company's distributors in the form of a 1.5% discount applied to invoices for product sold to the Company's distributors. The expenses for samples are expensed at the time of sale in the selling, general and administrative expense. The Company's distributors use the allowance to sample product to prospective customers.

Amounts paid by customers to the Company for shipping and handling expenses are included in the net revenue. Expenses incurred for outbound shipping and handling charges are included in selling, general and administrative expense. Inbound freight costs for Bacchus purchased wines are capitalized into inventory at the time of purchase. The Company's gross margins may not be comparable to other companies in the same industry as other companies may include shipping and handling expenses as a cost of goods sold.

OVERVIEW

Results of Operations

The Company produced revenues of \$16,563,712 in 2009 versus \$16,048,238 in the prior year, an increase of 3.2%. Income from operations decreased by 18.0% to \$1,117,399 in 2009, in comparison to \$1,363,158 in 2008. Net earnings increased by 3.2% to \$731,470 versus \$708,594 in the prior year, and diluted earnings per share were 15 cents per share which compares to 14 cents per share in the prior year.

These results are a combination of several key factors affecting reductions in gross profit, increased expenses and reductions in income tax expense.

Reductions in Gross Profit account for approximately 42% of the change in income from operations versus the prior year and increases in expenses account for about 58% of the unfavorable change.

Gross Profit reductions were equally affected by two key factors: (1) increased production costs of produced brands which resulted in a higher cost of goods sold and (2) sales at cost of two separate supplier purchased brands from Bacchus Fine Wines to another Oregon distributor of purchased brands in connection with decisions made by two brand suppliers to move their distribution to another local supplier of purchases brands in the second half of 2009.

The increase in Sales, General and Administrative expense versus the prior year resulted from increased wages and salary expense in sales and logistics coupled with related expenses for payroll taxes and benefits. This was partially offset by the reduction in professional services for accounting and legal fees versus the prior year.

Increases in sales and logistics labor costs were mainly due to an increase in headcount required to effectively staff the warehouse during the period where inventory management and control was a material weakness for our operations. Additionally, the Company has replaced some sales commission expense with a sales compensation subsidy as the Company replaced certain sales personnel and expanded territories.

The gross margin percent received from sales of all the winery's products were 47% in 2009 compared to 49% for 2008. The reduced margin is due to increases in the cost of produced wine and sales at cost to another Oregon distributor for some purchased brands. The gross margin received from the sale of produced wine in 2009 was 54.0% compared to 57.2% in 2008.

Out-of-state distributor sales revenue increased 7.3% for the year ended December 31, 2009 as compared to the prior year. Retail sales increased 0.6% Bacchus Fine Wines suffered a decrease of 7.2% in the sales of purchased wine and merchandise from other suppliers but an increase (approximately 15.0%) in sales of winery produced products. Bacchus Fine Wines was constrained by the loss of two key brand suppliers who moved their brand distribution to another Oregon distributor in the second half of 2009. In-state and out-of-state sales were both favorably impacted by additional placements of core produced brands at a key customer.

The winery had a credit line balance of \$140,964 at December 31, 2009.

Sales

In the year ended December 31, 2009, the Company sold approximately 16,000 cases of Willamette Valley Pinot Noir (vintage level), 6,000 cases of Barrel Select Pinot Noir, 2,000 cases of Founders Reserve Pinot Noir, 16,000 cases of Whole Cluster Pinot Noir, 27,000 cases of Pinot Gris and 19,000 cases of Riesling.

At December 31, 2009 the Company had inventory on-hand of approximately 50,000 cases of Willamette Valley Pinot Noir (vintage level), 3,400 cases of Barrel Select Pinot Noir, 1,700 cases of Founders Reserve Pinot Noir, 7,000 cases of Whole Cluster Pinot Noir, 12,700 cases of Pinot Gris and 14,000 cases of Riesling.

The Company has or plans to bottle 3,500 cases of 2009 Estate Pinot Noir, 20,000 cases of 2009 Willamette Valley Pinot Noir (vintage level), 19,500 cases of 2009 Whole Cluster Pinot Noir, 30,000 cases of 2009 Pinot Gris and 22,000 cases of 2009 Riesling by December 2010.

The Company sold approximately 159,000 cases of wine in 2009 of which 108,000 cases were winery produced wines. Of the winery produced case sales in 2009, approximately 86,000 were the above listed varieties. Total purchased wine case sales in 2009 were approximately 51,000 cases. The 2009 harvest produced 2,133 tons of wine grapes. The 2009 harvest yielded higher volumes, approximately 50% higher than prior year. The expected 2009

vintage yield is expected to produce approximately 134,000 cases, which includes a few selected bulk wine sales.

Wine Inventory

The Company had approximately 107,000 cases of bottled wine on-hand at the end of 2009. Approximately 20% of the on-hand inventory is 2007 vintage Pinot Noir. Management took steps in 2009 to address short-term inventory shortages relative to orders by purchasing 75,000 gallons of bulk wine. 53% of these bulk purchases were Pinot Noir to be used mainly in the production of 2007 and 2008 Vintage Pinot Noir. In 2008 the Company addressed long-term grape shortages by acquiring an additional 80 acres of undeveloped vineyard land in the Eola Hills adjacent to the existing Elton Vineyards property currently under lease. The Company also executed a long-term lease for an additional 104 acres at the same Eola Hills site. These sites remain undeveloped. The Company also acquired 15 acres of property in 2008 adjacent to the existing Estate site at the Winery in Turner, OR. Of these 15 acres at the Estate Winery, 8 acres were developed and been planted in grapes in 2009. Lastly, the Company acquired 5 acres of additional vineyard land at its Tualatin Estate Vineyard in 2008 and these acres were also developed and planted in 2009.

These actions bring to a total of 791 acres of vineyard owned, leased or contracted by the Company, with 23 of those acres recently planted and not productive. The 204 acres recently acquired and leased are undeveloped and therefore not planted. The total acres of Pinot Noir are 300, of which nine are young, non-productive vines; the total acres of Pinot Gris are 122 of which 14 are young, non-productive vines; the total acres of Riesling are 95, all of which are producing vines.

Production Capacity

Management purchased capital assets in 2009 at a significantly lower level than 2008 mainly due to the absence of additional vineyard land purchases. 2009 purchases were mainly replacement barrels for production and some minor machinery and equipment purchases also for production. Capital purchases in 2010 will be reviewed closely to address future production requirements based on the expected increases in wine grape quantities. The Company had a carryover project from 2008, namely, to install additional water storage capacity on the Turner property and fire sprinklers in its 20,000 square foot wine warehouse, which also required significant capital investment in 2009. This project is nearing completion in Q1 2010. Management decided not to use the Tualatin production facility in 2009 due to the need to utilize the facility for storage of excess inventory. In 2008, the Company replaced the roof and production floor, insulation and walls in anticipation of using it for wine storage and future production .

Wine Quality

Continued awareness of the Willamette Valley Vineyards brand, the Company and the quality of its wines, was enhanced by national and regional media coverage throughout 2009.

In February 2009 Willamette Valley Vineyards' 2006 Estate Pinot Noir and 2006 Signature Cuvee Pinot Noir both took Gold at the Grand Harvest Awards. This international competition is sponsored by Vineyard & Winery Management Magazine and has a special focus on terroir, meaning that these wines were recognized for how well they represent quality Pinot Noirs specifically from Willamette Valley, Oregon.

In March 2009 several WVV wines won an additional terroir-based award through the Best-of-Appellation, or BOA awards put on by AppellationAmerica.com. Both our 2006 WVV Pinot Noir and our 2006 Tualatin Estate Pinot Noir were recognized with Double Gold medals and our 2006 Estate Pinot Noir and 2007 Whole Cluster Pinot Noir were recognized with Gold medals in the BOA awards.

March 2009 marked the conclusion of the first annual Oregon Wine Awards, a competition for and by Oregon wine industry specialists. Three of our wines took Double Gold Awards in their categories, an honor that the competition

classifies as “Best of the Best”: 2007 WVV Riesling, 2006 WVV Signature Cuvee Pinot Noir and the 2003 Griffin Creek Syrah.

The 2006 Estate Pinot Noir also took "Double Gold" and was nominated for Best of Show at the Hilton Head Island Wine and Food Festival in South Carolina; the 2006 Dijon Clone Chardonnay took Critic’s Gold at the 2009 Critic’s Challenge, judged by many of America’s most accomplished wine journalists; and the 2007 Dry Riesling took a Gold medal at the Tasters Guild 22nd annual International Wine Judging, where forty experienced judges from around the country completed over 2,100 evaluations of wine from 36 states/provinces and 13 countries. The judging panels were comprised of a carefully selected mix of winemakers, retailers, wine writers, restaurateurs, and knowledgeable consumers.

The 2007 Riesling took the only Gold medal in the Food & Wine pairing competition at the 2009 Hong Kong International Wine & Spirits competition.

In the 2010 San Francisco Chronicle Wine Competition, which is the largest wine competition in the United States with over 4900 entries, Willamette Valley Vineyards received more awards than any other Oregon winery winning two “Best of Class, Judge’s Choice” awards. Our 2008 Riesling was rated the “Best of Class, Judge’s Choice” in the category of Riesling above 1.5% Residual Sugar. Our 2007 Elton Vineyard Pinot Noir won the same award “Best of Class, Judge’s Choice” for Pinot Noir in the \$40-\$49.99 price range. Our 2008 Pinot Gris took a Gold medal as well.

Sustainability Initiatives

In January of 2009 we launched our Cork ReHarvest program in partnership with Whole Foods, Rainforest Alliance and Western Pulp. Willamette Valley Vineyards was the first winery in the world to receive certification from the Rainforest Alliance for using 100 percent Forest Stewardship Council (FSC) certified cork. With the new Cork Re-Harvest program, we are also the first winery to launch a cradle-to-cradle cork recycling program with zero increase to our carbon footprint. Cork recycling boxes were placed in the 11 Whole Foods stores in Oregon and Washington. When distributors deliver wine to these stores, they pick up the cork and return it to WVV's Turner-based warehouse. The cork will then be delivered to Western Pulp, where it is remanufactured into wine shippers.

The April issue of Shape Magazine, available on shelves in March 2009, debuted Shapes' 2009 Green Living Awards. Starting on page 41, twenty-nine companies and products were recognized for their sustainable efforts. WVV received one of the awards for our commitment to sustainable practices, and producing sustainable products. The sustainable certification of our vineyards through LIVE (Low Input Viticulture and Enology) was highlighted.

In April 2009, the Oregon Certified Sustainable Wine ("OCSW") website launched. Hosted by the Oregon Wine Board, OCSW is a certification program that encompasses LIVE, Organic and Biodynamic wine certifications under one symbol in the hopes of making it easier for the consumer to choose sustainable wines. Willamette Valley Vineyards was one of the first wineries to qualify for this new certification.

Other Developments

In June 2009, at the annual SEDCOR (Strategic Economic Development Corporation) honors luncheon, Willamette Valley Vineyards was awarded the Agri-Business of the year award. This award is presented to an active SEDCOR member who has demonstrated excellence in agri-business in the past year, and who supports and maintains the significant role and future of agriculture in the Mid-Willamette Valley economy. SEDCOR is a private, non-profit member organization comprised of more than 500 business and community leaders.

In June 2009 Willamette Valley Vineyards, in cooperation with Ken Wright Cellars, EIEIO & Company Ltd. and Federal Express, hosted Oregon's first virtual wine tasting with Hong Kong. The video conference and wine tasting brought together more than two dozen Hong Kong wine distributors, sommeliers and retailers to taste through a flight of high-quality Oregon wines. The event came on the heels of Hong Kong lifting duties on U.S. wine imports in February 2008, which could improve the importation of Oregon wines. As a result of this event the Company secured distribution through a prominent Hong Kong importer.

Seasonal and Quarterly Results

The Company has historically experienced and expects to continue experiencing seasonal fluctuations in its revenues and net income. The Company has historically reported a net loss during its first quarter and expects the first quarter to be the weakest of the year, including the first quarter of 2010. Sales volumes increase progressively beginning in the second quarter through the fourth quarter because of consumer buying habits.

The following table sets forth certain information regarding the Company's revenues, excluding excise taxes, from Winery operations for the three and twelve months ended December 31, 2009:

Three months ended		Twelve months ended	
December 31,		December 31,	
2009	2008	2009	2008

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Retail Sales, Rental					
Income and Events	\$	682	\$	627	\$ 2,475 \$ 2,460
In-state sales		2,465		2,382	8,037 7,929
Out-of-state sales		1,444		1,761	6,436 5,998
Bulk wine/ Misc. sales		64		79	75 79
Total Revenue		4,655		4,849	17,023 16,466
Less excise taxes		(144)		(145)	(459) (418)
Net Revenue	\$	4,511	\$	4,704	\$ 16,564 \$ 16,048

2009 Compared to 2008

Retail sales for the year ended December 31, 2009 increased \$14,593, or 0.6%, as compared to the corresponding prior year period. Retail sales increased slightly during the year ended December 31, 2009, due primarily to an increase of \$146,019 or 10.3% in tasting room sales. The focus on customers for life through telephone, mail order and retail sales will continue with the goal of expanding the customer base and continuing the trend of increasing revenue generation by the Retail department. Retail experienced an increase in revenue during 2009 in on-site and off-site festivals revenue of 8.1%, or \$11,569 as compared to 2008. Attendance, wine sales, sales per head and net income at retail events increased compared to last year.

Total wholesale sales in the state of Oregon, through the Company's in-state sales force and through direct sales from the winery increased \$108,423, or 1.4%, in the year ended December 31, 2009, as compared to the prior year. 2009 in-state sales of purchased wines and glassware were -7.2% lower than 2008. 2009 in-state sales of Willamette Valley Vineyards branded wine were higher than 2008 by 15.0% and contributed mostly to the 1.4% increase in overall in-state sales. There was a sales increase of \$402,969 in 2009 related to the transfer of inventory to another Oregon distributor. These transfer sales are at cost and therefore unfavorably impact gross margin as a percent of sales. The Company's direct in-state sales to its largest customer increased \$463,939, or 51.4%, in the year ended December 31, 2009, as compared to the prior year period. This increase is largely due to increased availability of core produced brands and the related increase in placements and orders of these produced brands.

Out-of-state sales in the year ended December 31, 2009 increased \$437,743, or 7.3%, as compared to the prior year. The higher sales are primarily a result of the increased availability of core products resulting in increased order activity by our out-of-state distributors. Additionally, we experienced increased placements of our Pinot Gris in 2009 to a key national customer. Additionally, the national sales team has actively pursued increasing our points of distribution and have opened markets through new distribution channels. The Company now sells wine in all 50 states and exports wine to eight countries. The Pinot Noir variety led sales in 2009.

The Company pays alcohol excise taxes to both the Oregon Liquor Control Commission and to the U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau. These taxes are based on product sales volumes. The Company is liable for the taxes upon the removal of product from the Company's warehouse on a per gallon basis. The Company also pays taxes on the grape harvest on a per ton basis to the Oregon Liquor Control Commission for the Oregon Wine Board. The Company's excise taxes for the year ended December 31, 2009 increased 7.7% as compared to the prior year period. This was due primarily to increased volume of sales in state in 2009 which are taxed by the OLCC. Sales data in the discussion above is quoted before the exclusion of excise taxes.

As a percentage of net revenue, gross profit was 47% in the year ended December 31, 2009, a decrease of 4.1% compared to the 49% gross profit percentage from the prior year period. This reduction in the gross profit percent is mainly due to the increase in production costs on produced wine. Additionally, the purchased brand sales at cost for those in-state wholesale suppliers that moved their brand to another Oregon distributor has adversely affected gross margin as a percent of sales.

The Company is continuing its focus on improved distribution of higher margin products and strives to minimize increases in grape and production costs. Management anticipates that the increased representation of brands other than our own through our Oregon sales force will continue to erode the gross margins as a percent of sales due to the lower margins associated with selling those brands. The Company believes that the cost of administration, accounting and inventory management of purchased brands has historically been much higher than anticipated. Management believes that we can effectively increase sales long-term at appropriate levels of administrative costs.

Amortization of vineyard development costs is included in capitalized crop costs that, in turn, are included in inventory costs and ultimately become a component of cost of goods sold. For the years ending December 31, 2009 and 2008, approximately \$70,000 and \$68,000, respectively, were amortized into inventory costs.

Selling, general and administrative expenses for the year ended December 31, 2009 increased \$141,310 or 2.19% compared to the prior year. This increase was due primarily to increased labor costs in sales departments and shared support services coupled with the related increase in payroll taxes and fringe benefits. The increase in labor expenses in 2009 was partially offset by the reduction in outbound freight costs and professional service fees for accounting and legal services versus the prior year. As a percentage of net revenue from winery operations, selling, general and administrative expenses stayed at 40% for the year ended December 31, 2009, unchanged from the prior year.

Interest income decreased by 54% or \$19,704 for the year ended December 31, 2009 versus the prior year. This is mainly due to the elimination of our CD investments which were converted to cash for working capital needs. Interest expense increased 39% or \$45,730 in the year ended December 31, 2009 as compared to the prior year. The increase in interest expense was due to the increase in outstanding debt during the period.

The provision for income taxes and the Company's effective tax rate was \$244,001 and 25%, respectively of pre-tax income in the year ended December 31, 2009, compared to \$554,541 and 44% of pre-tax income recorded for the prior year. The favorable change in tax provision in 2009 is mainly due to a one-time accounting change which allows the Company to expense, for tax purposes, farming costs incurred in November and December of 2009 versus capitalizing into inventory costs.

As a result of the above factors, net income increased 3.2% to \$731,470 in the year ended December 31, 2009 from \$708,594 for the prior year period. Earnings per share were \$0.15 per share in the year ended December 31, 2009 and \$0.15, in the prior year.

First Quarter 2010 Outlook

Sales in the first quarter of 2010 are slightly lower than the prior year's first quarter sales for the following principle reasons: in-state sales through Bacchus Fine Wines are down due to the reduction in order activity from its largest customer and the loss of sales activity from a key purchased brand supplier which moved to another Oregon distributor. This is largely offset by the increase in sales to our out-of-state distributors.

Liquidity and Capital Resources

At December 31, 2009, the Company had a working capital balance of \$11.4 million and a current ratio of 4.98:1. At December 31, 2008, the Company had a working capital balance of \$9.4 million and a current ratio of 4.21:1. The Company had a cash balance of \$0 at December 31, 2009 compared to a cash balance of \$350,361 at December 31, 2008. The decrease in cash year over year was primarily due to the increased use of cash for inventory building and capital expenditures.

Total cash used in operating activities for the year ended December 31, 2009 was \$950,466, compared to cash provided of \$396,594 for the prior year period, primarily as a result of the cash used in the Company's build-up in inventory in 2009.

Total cash used in investing activities in the year ended December 31, 2009 was \$781,994, compared to \$2,465,310 in the prior year. Cash used in investing activities consisted mainly of additions to property and equipment and vineyard development expenditures.

Total cash provided by financing activities in the year ended December 31, 2009 was \$1,382,099, compared to \$1,335,672 in 2008. Cash provided by financing activities primarily consisted of the increase in debt related to the new loan from NW Farm Credit Services required for the pay down of the short term line of credit. The Company has a cash overdraft position of \$271,911 at the period ended December 31, 2009. This represents check remittances that

have not yet cleared the bank. As these checks post they will be automatically funded by our revolving line of credit to bring our overdraft position to zero.

At December 31, 2009, the line of credit balance was \$140,964 on a maximum borrowing amount of \$2,000,000. The Company has a loan agreement with Umpqua Bank that contains, among other things, certain restrictive financial covenants with respect to total equity, debt-to-equity and debt coverage that must be maintained by the Company on a quarterly basis. As of December 31, 2009, the Company was in compliance with all of the financial covenants. The current line of credit loan agreement with Umpqua Bank is due to renew in June 2010. The Company is seeking an increase in its credit line up to \$3,000,000 from its current \$2,000,000 line of credit and a term of two years or more.

As of December 31, 2009, the Company had a total long-term debt balance of \$3,679,527 owed to NW Farm Credit Services. The debt with NW Farm Credit Services was used to finance the Hospitality Center, invest in winery equipment to increase the Company's winemaking capacity, complete the storage facility, acquire new vineyard land for future development and most recently to pay down our short term line of credit.

The Company believes that cash flow from operations and funds available under its existing credit facilities will be sufficient to meet the Company's foreseeable short and long-term needs.

The Company's contractual obligations as of December 31, 2009 including long-term debt, grape payables and commitments for future payments under non-cancelable lease arrangements are summarized below:

	Total	Payments Due by Period			After 5 years
		Less than 1 year	1-3 years	4-5 years	
Long-term debt and capital lease obligations	\$ 3,718,868	\$ 432,863	\$ 724,940	\$ 141,541	\$ 2,419,524
Grape Payables	657,371	657,371	-	-	-
Operating Leases	3,171,788	374,103	674,739	492,712	1,630,235
Total Contractual Obligations	\$ 7,548,027	\$ 1,464,337	\$ 1,399,679	\$ 634,253	\$ 4,049,759

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not Required.

Item 8. Financial Statements and Supplementary Data.

Willamette Valley Vineyards, Inc.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Willamette Valley Vineyards, Inc.

We have audited the accompanying balance sheets of Willamette Valley Vineyards, Inc. as of December 31, 2009 and 2008 and the related statements of income, shareholders' equity and cash flows for each of the years in the two year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willamette Valley Vineyards, Inc. as of December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Moss Adams LLP

Seattle, Washington
March 29, 2010

Willamette Valley Vineyards, Inc.
Balance Sheet

	December 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 350,361
Accounts receivable, net (Note 2)	1,458,497	1,204,881
Inventories (Note 3)	12,169,407	10,604,204
Prepaid expenses and other current assets	58,746	68,834
Current portion of notes receivable	62,415	62,415
Income tax receivable	464,958	-
Deferred income taxes (Note 9)	-	81,700
Total current assets	14,214,023	12,372,395
Vineyard development costs, net	1,732,979	1,693,769
Property and equipment, net (Note 4)	6,192,229	6,069,408
Debt issuance costs	41,353	29,581
Notes receivable	120,248	165,491
Other assets	4,456	4,456
Total Assets	\$ 22,305,288	\$ 20,335,100
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	\$ 271,911	\$ -
Line of credit (Note 5)	140,964	-
Current portion of long-term debt (Note 6)	432,863	354,536
Accounts payable	823,517	1,111,499
Accrued expenses	467,588	510,768
Income taxes payable	-	350,870
Deferred income taxes (Note 9)	62,000	-
Grape payables	657,371	594,734
Total current liabilities	2,856,214	2,922,407
Long-term debt (Note 6)	3,286,005	2,178,246
Deferred rent liability	218,205	217,742
Deferred gain (Note 11)	313,835	345,930
Deferred income taxes (Note 9)	491,000	355,207
Total liabilities	7,165,259	6,019,532
Commitments and contingencies (Note 11)	-	-
Shareholders' equity (Notes 7 and 8):		
Common stock, no par value - 10,000,000 shares authorized, 4,888,977 issued and outstanding at December 31, 2009	8,608,658	8,515,667
Retained earnings	6,531,371	5,799,901
Total shareholders' equity	15,140,029	14,315,568
	\$ 22,305,288	\$ 20,335,100

The accompanying notes are an integral part of the financial statements.

Willamette Valley Vineyards, Inc.
 Statements of Operations
 For the Years Ended December 31, 2009 and 2008

	2009	2008
Net revenues	\$ 16,563,712	\$ 16,048,238
Cost of goods sold	8,849,800	8,229,877
Gross margin	7,713,912	7,818,361
Selling, general and administrative expenses	6,596,513	6,455,203
Income from operations	1,117,399	1,363,158
Other income (expenses):		
Interest income	17,042	36,746
Interest expense	(162,113)	(116,383)
Other income/(expense)	3,143	(20,386)
	(141,928)	(100,023)
Income before income taxes	975,471	1,263,135
Income tax provision (Note 9)	244,001	554,541
Net income	\$ 731,470	\$ 708,594
Basic net income per common share	\$ 0.15	\$ 0.15
Diluted net income per common share	\$ 0.15	\$ 0.14

The accompanying notes are an integral part of the financial statements.

Willamette Valley Vineyards, Inc.
 Statements of Shareholders' Equity
 For the Years Ended December 31, 2009 and 2008

	Common stock Shares	Dollars	Retained earnings	Total
Balances at December 31, 2007	4,835,902	\$ 8,425,389	\$ 5,091,307	\$ 13,516,696
Stock based compensation expense	-	56,230	-	56,230
Common stock issued and options exercised	15,425	34,048	-	34,048
Net income	-	-	708,594	708,594
Balances at December 31, 2008	4,851,327	\$ 8,515,667	\$ 5,799,901	\$ 14,315,568
Stock based compensation expense	-	17,976	-	17,976
Common stock issued and options exercised	37,650	75,015	-	75,015
Net income	-	-	731,470	731,470
Balances at December 31, 2009	4,888,977	\$ 8,608,658	\$ 6,531,371	\$ 15,140,029

The accompanying notes are an integral part of the financial statements.

Willamette Valley Vineyards, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net income	\$ 731,470	\$ 708,594
Reconciliation of net income to net cash from operating activities:		
Depreciation and amortization	674,200	620,180
Stock based compensation expense	17,976	56,230
Deferred income taxes	279,493	10,507
Bad debt expense	28,660	7,606
Deferred rent liability	463	(6,194)
Deferred gain	(32,095)	(32,095)
Gain on sale of assets	(800)	-
Changes in assets and liabilities:		
Accounts receivable	(282,276)	599,287
Inventories	(1,565,203)	(2,627,775)
Prepaid expenses and other current assets	10,088	10,818
Other assets	-	61,437
Bank Overdraft	271,911	-
Accounts payable	(287,982)	537,512
Accrued expenses	(43,180)	89,944
Income taxes receivable/payable	(815,828)	274,355
Grape payables	62,637	86,188
Net cash from operating activities	(950,466)	396,594
Cash flows from investing activities:		
Additions to property and equipment	(718,092)	(2,465,976)
Vineyard development expenditures	(109,945)	(21,428)
Proceeds from sale of fixed assets	800	-
Payments received on notes receivable	45,243	22,094
Net cash from investing activities	(781,994)	(2,465,310)
Cash flows from financing activities:		
Proceeds from stock options exercised	75,015	27,250
Net borrowings on line of credit	140,964	-
Borrowings of long-term debt	1,543,417	1,568,748
Payment of loan fees related to new debt	(19,966)	-
Payments on long-term debt	(357,331)	(267,124)
Excess tax benefit on stock option exercises	-	6,798
Net cash from financing activities	1,382,099	1,335,672
Net change in cash and cash equivalents	(350,361)	(733,044)
Cash and cash equivalents:		
Beginning of year	350,361	1,083,405
End of year	\$ -	\$ 350,361

The accompanying notes are an integral part of the financial statements.

Willamette Valley Vineyards, Inc.
Notes to Financial Statements

1. Summary of Operations, Basis of Presentation and Significant Accounting Policies

Organization and Operations

Willamette Valley Vineyards, Inc. (the "Company") owns and operates vineyards and a winery located in the state of Oregon, and produces and distributes premium, super premium, and ultra premium wines, primarily Pinot Noir, Pinot Gris, Chardonnay, and Riesling. In 2009 we have one customer that represents approximately 13% of our total revenues. In 2008 no one customer represented more than 10% of total revenues.

Sales in Oregon through the Company's in-state sales force and through direct sales from the winery represented approximately 58% and 59% respectively, of revenues for 2009 and 2008. In-state sales of purchased wines and glassware represented 49% and 59% of total 2009 and 2008 in-state sales, respectively. In-state sales of Willamette Valley Vineyards branded wines represented 44% and 38% of total 2009 and 2008 in-state sales, respectively.

Out-of-state sales represented approximately 38% and 36% respectively, of revenues for 2009 and 2008. Foreign sales represent less than 1% of total sales. The Company also sells its wine through the tasting room at its winery.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances at the time. Actual results could differ from those estimates under different assumptions or conditions.

Financial Instruments and Concentrations of Risk

The Company has the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and long-term debt. The carrying value of these instruments approximates fair value.

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

Other Comprehensive Income

The nature of the Company's business and related transactions do not give rise to other comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with an original maturity of less than 90 days.

Accounts Receivable

The Company performs ongoing credit evaluations of its customers and does not require collateral. A reserve is maintained for potential credit losses. The allowance for doubtful accounts is based on an assessment of the collectability of customer accounts. The Company regularly reviews the allowance by considering factors such as historical experience, credit quality, the age of the accounts receivable balances, and current economic conditions that may affect a customer's ability to pay. The Company has credit risk associated with uncollateralized trade accounts receivable totaling \$1,494,715 and \$1,215,350 as of December 31, 2009 and 2008, respectively.

Notes Receivable

The notes receivable balance relates to a note entered into in 2007 with one of our key grape suppliers with whom we purchase grapes from under contract. The purpose of the note was to provide the grower with the capital necessary for their vineyard land development. The original amount of the note was \$250,000. The note accrues interest at 8.5% per year and is payable in semi-annual payments through March 2012.

Inventories

For Company produced wines, after a portion of the vineyard becomes commercially productive, the annual crop and production costs relating to such portion are recognized as work-in-process inventories. Such costs are accumulated with related direct and indirect harvest, wine processing and production costs, and are transferred to finished goods inventories when the wine is produced, bottled, and ready for sale. For purchased wines distributed through the Company's in-state distribution division, Bacchus Fine Wines, the supplier invoiced costs of the wine, including freight, are recognized into finished goods inventories at the point of receipt.

The cost of finished goods is recognized as cost of sales when the wine product is sold. Inventories are stated at the lower of first-in, first-out ("FIFO") cost or market by variety. Bacchus inventory is accounted for on a separate accounting system which calculates average invoice cost on the purchased brands. The average cost for the Bacchus inventory approximates FIFO in all material respects.

In accordance with general practices in the wine industry, wine inventories are generally included in current assets in the accompanying balance sheet, although a portion of such inventories may be aged for more than one year (Note 3).

Vineyard Development Costs

Vineyard development costs consist primarily of the costs of the vines and expenditures related to labor and materials to prepare the land and construct vine trellises. The costs are capitalized until the vineyard becomes commercially productive, at which time annual amortization is recognized using the straight-line method over the estimated economic useful life of the vineyard, which is estimated to be 30 years. Accumulated amortization of vineyard development costs aggregated \$657,934 and \$587,199 at December 31, 2009 and 2008, respectively.

Amortization of vineyard development costs are included in capitalized crop costs that in turn are included in inventory costs and ultimately become a component of cost of goods sold. For the year ending December 31, 2009 and 2008, approximately \$70,735 and \$68,136, respectively, was amortized into inventory costs.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line basis over their estimated useful lives as follows:

Land improvements	15 years
Winery building	30 years
Equipment	3-10 years (depending on classification of the asset)

Expenditures for repairs and maintenance are charged to operating expense as incurred. Expenditures for additions and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations. The Company reviews the carrying value of investments for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable.

Debt Issuance Costs

Debt issuance costs are amortized on the straight-line basis, which approximates the effective interest method, over the life of the debt. The Company incurred an additional \$19,966 of debt issuance costs in 2009 related to the new long-term debt from NW Farm Credit Service. For the years ended December 31, 2009 and 2008, amortization of debt issuance costs was approximately \$8,194 and \$7,200 respectively. The following table shows the debt issuance amortization scheduled for the next five years:

Year	Amount
2010	\$ 8,915
2011	2,112
2012	2,112
2013	2,112
2014	2,112

Income Taxes

Income taxes are recognized using enacted tax rates, and are composed of taxes on financial accounting income that is adjusted for requirements of current tax law, and deferred taxes. Deferred taxes are estimated using the asset and liability approach whereby deferred income taxes are calculated for the expected future tax consequences of temporary differences between the book basis and tax basis of the Company's assets and liabilities.

On January 1, 2007, we adopted the provisions of ASC 740 related to income tax uncertainties (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109) which clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. This adoption did not have an impact on our financial statements. We had no unrecognized tax benefits as of December 31, 2009 or 2008. We recognize interest assessed by taxing authorities as a component of tax expense. We recognize any penalties assessed by taxing authorities as a component of tax expense. Interest and penalties for the years ended December 31, 2009 and 2008 were not material.

We file U.S. federal income tax returns with the Internal Revenue Service ("IRS") as well as income tax returns in Oregon. We may be subject to examination by the IRS for tax years 2006 through 2009. Additionally, we may be subject to examinations by state taxing jurisdictions for tax years 2006 through 2009. We are currently not under examination by the IRS or the Oregon Department of Revenue.

Deferred Rent Liability

The Company leases land under a sale-leaseback agreement. The long-term operating lease has minimum lease payments that escalate every year. For accounting purposes, rent expense is recognized on the straight-line basis by dividing the total minimum rents due during the lease by the number of months in the lease. In the early years of a lease with escalation clauses, this treatment results in rental expense recognition in excess of rents paid, and the creation of a long-term deferred rent liability. As the lease matures, the deferred rent liability will decrease and the rental expense recognized will be less than the rents actually paid. For the year ended December 31, 2009 rent costs recognized in excess of amounts paid totaled \$462. For the year ended December 31, 2008, rent amounts paid in excess of rent costs recognized totaled \$6,194.

Revenue Recognition

The Company recognizes revenue when the product is shipped and title passes to the customer. The Company's standard terms are 'FOB' shipping point, with no customer acceptance provisions. The cost of price promotions and rebates are treated as reductions of revenues. No products are sold on consignment. Credit sales are recorded as trade accounts receivable and no collateral is required. Revenue from items sold through the Company's retail locations is recognized at the time of sale. Net Revenues reported herein are shown net of sales allowances and excise taxes.

Cost of Goods Sold

Costs of goods sold include costs associated with grape growing, external grape costs, packaging materials, winemaking and production costs, vineyard and production administrative support and overhead costs, purchasing and receiving costs and warehousing costs.

Administrative support, purchasing, receiving and most other fixed overhead costs are expensed as Selling, General and Administrative expenses without regard to inventory units. Warehouse and production facilities costs, which make up less than 10 percent of total costs, are allocated to inventory units on a per gallon basis during the production of wine, prior to bottling the final product. No further costs are allocated to inventory units after bottling.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of non-manufacturing administrative and overhead costs, advertising and other marketing promotions. Advertising costs are expensed as incurred or the first time the advertising takes place. For the years ended December 31, 2009 and 2008, advertising costs incurred were approximately \$34,000 and \$44,000 respectively.

The Company provides an allowance to distributors for providing sample of products to potential customers. For the years ended December 31, 2009 and 2008, these costs, which are included in selling, general and administrative expenses, totaled approximately \$72,000 and \$92,000 respectively.

Shipping and Handling Costs

Amounts paid by customers to the Company for shipping and handling costs are included in the net revenue. Costs incurred for shipping and handling charges are included in selling, general and administrative expense. For the years ended December 31, 2009 and 2008, such costs totaled approximately \$332,000 and \$437,000 respectively. The Company's gross margins may not be comparable to other companies in the same industry as other companies may include shipping and handling costs as a cost of goods sold.

Excise Taxes

The Company pays alcohol excise taxes based on product sales to both the Oregon Liquor Control Commission and to the U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau. The Company is liable for the taxes upon the removal of product from the Company's warehouse on a per gallon basis. The federal tax rate is affected by a small winery tax credit provision which declines based upon the number of gallons of wine production in a year rather than the quantity sold. The Company also pays taxes on the grape harvest on a per ton basis to the Oregon Liquor Control Commission for the Oregon Wine Advisory. For the years ended December 31, 2009 and 2008, excise taxes incurred were approximately \$459,000 and \$418,000 respectively.

Stock Based Compensation

The Company expenses stock options on a straight line basis over the options' related vesting term. For the year ended December 31, 2009, the Company recognized pretax compensation expense related to stock options of \$17,976. This compares to \$56,230 of pretax compensation expense for the period ended December 31, 2008.

Tax Benefit of Disqualifying Disposition of Stock Options

The Company has certain incentive stock options in 2009 that had been exercised and the related stock subsequently sold before a required tax holding period. The sale of the stock thus became a disqualifying disposition, which allows the Company to deduct as employee compensation the difference between the exercise price for the stock option and the stock's selling price.

Basic and Diluted Net Income per Share

Basic earnings per share are computed based on the weighted-average number of common shares outstanding each year. Diluted earnings per share are computed using the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the year. Potentially dilutive shares from stock options and other common stock equivalents are excluded from the computation when their effect is anti-dilutive.

Options to purchase 355,700 shares of common stock were outstanding at December 31, 2009 and diluted weighted-average shares outstanding at December 31, 2009 include the effect of 7,112 stock options. Options to purchase 442,200 shares of common stock were outstanding at December 31, 2008 and diluted weighted-average shares outstanding at December 31, 2008 include the effect of 60,908 stock options.

	Income	2009 Weighted average shares outstanding	Earnings per share	Income	2008 Weighted average shares outstanding	Earnings per share
Basic	\$ 731,470	4,869,298	\$ 0.15	\$ 708,594	4,845,782	\$ 0.15
Options	-	7,112	-	-	60,908	-
Warrant	-	-	-	-	-	-
Diluted	\$ 731,470	4,876,410	\$ 0.15	\$ 708,594	4,906,690	\$ 0.14

Statement of cash flows

Supplemental disclosure of cash flow information:

	2009	2008
Interest paid	\$ 162,000	\$ 116,000
Supplemental schedule of noncash investing and financing activities:		
Issuance of common stock(Note 7)	\$ 498	\$ 8,458
Purchases of Property Plant& Equipment included in accounts payable	\$ 40,723	\$ 9,493

New and recently issued accounting pronouncements

In December 2007, the FASB issued a new statement regarding business combinations located under ASC Topic 805 Business Combinations (formerly SFAS 141(revised 2007), Business Combinations), which establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree in a business combination. The new statement requires that assets and liabilities, including contingencies, be recorded at the fair value determined on the acquisition date with changes thereafter reflected in results of operations, as opposed to goodwill. Additionally, the new statement modifies the treatment of restructuring costs associated with a business combination and requires acquisition costs to be expensed as incurred. The new statement also provides guidance on disclosures related to the nature and financial impact of the business combination and is effective for transactions closing after December 15, 2008 and for fiscal years beginning after December 15, 2008. The new statement will be applied for future business combinations, if any, entered into by the Company. The impact of this new standard is dependent on the nature of completed acquisition. Any impact will be evaluated as part of the economic evaluation of such a business combination.

In December 2007, the FASB issued a new statement establishing accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary located under ASC Topic 810 Consolidation (formerly SFAS 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51). This statement is effective prospectively, except for certain retrospective disclosure requirements, for fiscal years beginning after December 15, 2008. This statement was effective for the Company at the beginning of the first quarter of 2009 and had no impact on our financial statements since we have no non-controlling interests in any subsidiaries and have had no subsidiary deconsolidation.

In May 2009, the FASB issued a new statement that establishes general standards of accounting for, and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The new statement, located in ASC Topic 855 Subsequent Events (formerly SFAS 165, Subsequent Events)

requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected, that is, whether that date represents the date the financial statements were issued or were available to be issued. The new statement is effective for interim or annual periods ending after June 15, 2009, which was the quarter ended June 30, 2009 for the Company. In February 2010, the FASB amended its guidance removing the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The adoption of this new statement did not have a material impact on our financial statements.

In June 2009, the FASB issued a new statement that provides for the FASB ASC (the “Codification”) to become the single official source of authoritative, nongovernmental U.S. generally accepted accounting principles (GAAP). The new statement, located in ASC Topic 105-10 Generally Accepted Accounting Principles (formerly SFAS 168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162) is effective for interim and annual periods ending after September 15, 2009, which was the quarter ended September 30, 2009 for the Company. The adoption of this statement did not have a material impact on our financial statements.

2. Accounts Receivable

Oregon law prohibits the sale of wine in Oregon on credit; therefore, the Company's accounts receivable balances are primarily the result of sales to out-of-state and foreign distributors. The Company's accounts receivable balance is net of an allowance for doubtful accounts of \$36,216 at December 31, 2009. This compares to an allowance for doubtful accounts of \$10,469 at December 31, 2008.

Changes in the allowance for doubtful accounts are as follows:

	Balance at Beginning Of period	Charged to costs and expenses	Charged to other accounts	Write-offs net of recoveries	Balance at end of period
Fiscal year ended December 31, 2009:					
Allowance for Doubtful accounts	\$ 10,469	\$ 28,660	\$ (2,913)	\$ -	\$ 36,216
Fiscal year ended December 31, 2008:					
Allowance for Doubtful accounts	\$ 54,330	\$ 7,606	\$ (51,467)	\$ -	\$ 10,469

3. Inventories

Inventories consist of:

	2009	2008
Winemaking and packaging materials	\$ 336,813	\$ 309,467
Work-in-process (costs relating to unprocessed and/or unbottled wine products)	3,068,934	3,350,830
Finished goods (bottled wine and related products)	8,763,660	6,943,907
Current inventories	\$ 12,169,407	\$ 10,604,204

4. Property and Equipment

	2009	2008
Land and improvements	\$ 2,594,155	\$ 2,589,560
Winery building and hospitality center	5,315,163	4,969,758
Equipment	5,709,728	5,352,835
	13,619,046	12,912,153
Less accumulated depreciation	(7,426,817)	(6,842,745)
	\$ 6,192,229	\$ 6,069,408

5. Line of Credit Facility

In December of 2005 the Company entered into a revolving line of credit agreement with Umpqua Bank that allows borrowings of up to \$2,000,000 against eligible accounts receivables and inventories as defined in the agreement. The revolving line bears interest at prime, is payable monthly, and was initially subject to annual renewal. The Company renewed the credit agreement before the end of 2008 for a period of 18 months. The next renewal date is June 6, 2010. The interest rate was 3.25% at December 31, 2009 and 2008. At December 31, 2009 there were borrowings of \$140,964 on this revolving line of credit. There was no outstanding balance on this revolving line of credit at

December 31, 2008.

The line of credit agreement includes various covenants, which among other things, requires the Company to maintain minimum amounts of tangible net worth, debt-to-equity, and debt service coverage as defined, and limits the level of acquisitions of property and equipment. As of December 31, 2009, the Company was in compliance with these covenants.

Umpqua Bank Capital borrowings are collateralized by the bulk and case goods inventory and the proceeds from the sales thereof.

6. Long-Term Debt

Long-term debt consists of:	December 31, 2009	December 31, 2008
Northwest Farm Credit Services Loan #1	\$ 648,930	\$ 950,242
Northwest Farm Credit Services Loan #2	1,538,493	1,582,540
Northwest Farm Credit Services Loan #3	1,492,104	
Other Long Term Debt	39,341	-
	3,718,868	2,532,782
Less current portion	(432,863)	(354,536)
	\$ 3,286,005	\$ 2,178,246

The Company has three agreements with Northwest Farm Credit Services. Loan #1 requires monthly payments of \$28,462, bears interest at a rate of 4.95%, is collateralized by real estate and equipment, and matures in 2012. Loan #2 requires monthly payments of \$11,417, bears interest at a rate of 5.95%, is collateralized by real estate and equipment, and matures in 2028. Loan #3 requires monthly payments of \$10,466, bears interest at a rate of 6.7%, is collateralized by real estate and equipment, and matures in 2024.

The loan agreements contain covenants, which require the Company to maintain certain financial ratios and balances. At December 31, 2009, the Company was in compliance with these covenants. In the event of future noncompliance with the Company's debt covenants, Northwest Farm Credit Services ("FCS") would have the right to declare the Company in default, and at FCS' option without notice or demand, the unpaid principal balance of the loan, plus all accrued unpaid interest thereon and all other amounts due shall immediately become due and payable.

Future minimum principal payments of long-term debt mature as follows:

Year ending
December 31,

2010	\$ 432,863
2011	456,138
2012	131,371
2013	137,431
2014	141,541
Thereafter	2,419,524
	\$ 3,718,868

The weighted-average interest rates on the aforementioned borrowings for the fiscal years ended December 31, are as follows:

2009	6.07%
2008	5.55%

7. Shareholders' Equity

The Company is authorized to issue 10,000,000 shares of its common stock. Each share of common stock is entitled to one vote. At its discretion, the Board of Directors may declare dividends on shares of common stock, although the Board does not anticipate paying dividends in the foreseeable future.

In each of the years ended December 31, 2009 and 2008, the Company granted 150 and 1,425 shares of stock valued at \$498 and \$8,458, respectively, as compensation to employees and agents. The cost of these grants was capitalized as inventory or included in selling, general and administrative expenses in the statement of operations. The effects of these noncash transactions have been excluded from the cash flow statements in each period.

8. Stock Incentive Plan

The Company has two stock option plans, the 1992 Stock Incentive Plan ("1992 Plan") and 2001 Stock Option Plan ("2001 Plan"). No additional grants may be made under the 1992 Plan. The 2001 Plan, which is shareholder approved, permits the grant of stock options and restricted stock awards for up to 900,000 shares. All stock options have an exercise price that is equal to the fair market value of the Company's stock on the date the options were granted. Administration of the plan, including determination of the number, term, and type of options to be granted, lies with the Board of Directors or a duly authorized committee of the Board of Directors. Options are generally granted based on employee performance with vesting periods ranging from date of grant to seven years. The maximum term before expiration for all grants is ten years.

The following table presents information on stock options outstanding for the periods shown:

	2009		2008	
	Weighted Average Exercise Shares	price	Weighted Average Exercise Shares	price
Outstanding at beginning of period	442,200	\$ 3.77	459,200	\$ 3.90
Granted	-	-	-	-
Exercised	(37,500)	\$ 2.00	(14,000)	4.62
Forfeited	(49,000)	-	(3,000)	-
Outstanding at end of period	355,700	\$ 4.16	442,200	\$ 3.77

The following table presents information on stock options outstanding for the periods shown:

	2009	2008
Intrinsic value of options exercised in the period	\$ 52,520	\$ 22,390
Stock options fully vested and expected to vest	355,700	442,200
Weighted average exercise Price	\$ 4.16	\$ 3.77
Aggregate intrinsic value	\$ 46,015	\$ 83,705
Weighted average contractual term of options	3.52 years	4.43 years
Stock options vested and Currently exercisable	355,700	434,000
Weighted average exercise Price	\$ 4.16	\$ 3.80
Aggregate intrinsic value	\$ 46,015	\$ 78,477
Weighted average contractual term of options	3.52 years	4.41 years

Weighted-average options outstanding and exercisable at December 31, 2009 are as follows:

Exercise price	Number outstanding at December 31, 2009	Options outstanding		Options exercisable	
		Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31, 2009	Weighted average exercise price
\$ 1.56	4,000	1.58	1.56	4,000	1.56
2.31	12,000	5.40	2.31	12,000	2.31
2.99	16,000	5.12	2.99	16,000	2.99
3.29	75,000	0.12	3.29	75,000	3.29
3.76	96,000	5.58	3.76	96,000	3.76
4.14	4,000	0.58	4.14	4,000	4.14
5.00	84,700	5.99	5.00	84,700	5.00
5.50	64,000	0.99	5.50	64,000	5.50
\$ 1.56-\$5.50	355,700	3.52	\$ 4.16	355,700	\$ 4.16

All share-based compensation is measured at the grant date based on the fair value of the award, and is recognized as an expense in earnings over the requisite service period. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. This model uses the assumptions listed in the table below. Expected volatilities are based on implied volatilities from the Company's stock, historical volatility of the Company's stock, and other factors. Expected dividends are based on the Company's plan not to pay dividends for the foreseeable future. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

	2009	2008
Risk-free interest rate	3.85%	2.25%
Expected lives	10 years	10 years
Expected volatility	32%	39%

Adjustments are made for options forfeited prior to vesting. For the year ended December 31, 2009, the total value of the options granted was computed to be approximately \$1,481,489, which would be amortized on the straight-line basis over the vesting period of the options.

9. Income Taxes

The provision for income taxes consists of:

	2009	2008
Current tax expense:		
Federal	\$ (57,869)	\$ 443,158
State	22,376	100,999
	(35,493)	544,157
Deferred tax expense (benefit):		
Federal	245,281	5,300
State	34,213	5,084
	279,494	10,384

Total	\$	244,001	\$	554,541
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The effective income tax rate differs from the federal statutory rate as follows:

	Year ended December 31,	
	2009	2008
Federal statutory rate	34.0%	34.0%
State taxes, net of federal benefit	4.7	4.5
Permanent differences	2.0	0.8
Other, primarily prior year taxes	(1.0)	8.3
Adjustments to deferred tax asset	(2.9)	(3.7)
Prior period adjustment	(11.8)	-
	25.0%	43.9%

Permanent differences consist primarily of nondeductible meals and entertainment and life insurance premiums.

Deferred tax assets and (liabilities) at December 31 consist of:

	2009	2008
Accounts receivable	\$ 14,000	\$ 4,056
Inventories	-	106,650
Deferred gain on sale-leaseback	122,000	134,036
Stock Compensation	2,000	3,342
Other	19,000	6,818
Total deferred tax assets	157,000	254,902
Prepays	(23,000)	(39,166)
Inventories	(74,000)	-
Depreciation	(613,000)	(489,243)
Total deferred tax liabilities	(710,000)	(528,409)
Net deferred tax liability	\$ (553,000)	\$ (273,507)

10. Related Party Transactions

The Company provides living accommodations in a manufactured home on the Company's premises for the president as additional compensation for security and lock-up services the president provides. Over the years the Company has recorded annual expenses less than \$12,000 related to the housing provided for its president.

In 2009 the Company advanced the President a total of \$30,000 that was subsequently reimbursed via a reduction of his 2009 annual incentive compensation paid in 2010.

In February 2007 the Company entered into a lease agreement for approximately 60 acres of vineyard land at Elton Vineyards. This lease is for a 10 year term with four five-year renewals at the Company's option and a first right of refusal in the event of the vineyard's sale. For 2009, the annual costs of this lease were \$109,000. For subsequent years there is an escalation provision tied to the CPI not to exceed 2% per annum. Betty M. O'Brien, a Director of the Company, is a principal owner of Elton Vineyards.

11. Commitments and Contingencies

Litigation

From time to time, in the normal course of business, the Company is a party to legal proceedings. Management believes that these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows, but due to the nature of the litigation, the ultimate outcome cannot presently be determined.

Operating Leases

The Company entered into a lease agreement for approximately 45 acres of vineyards and related equipment in 1997. In December 1999, under a sale-leaseback agreement, the Company sold a portion of the Tualatin Vineyards property with a net book value of approximately \$1,000,000 for approximately \$1,500,000 cash and entered into a 20-year operating lease agreement. The gain of approximately \$500,000 is being amortized over the 20-year term of the lease. In December 2004, under a new sale-leaseback agreement, the Company sold a 75.3 acres portion of the Tualatin Vineyards property with a net book value of approximately \$551,000 for approximately \$727,000 cash and entered into a 14-year operating lease agreement for 42.7 acres of the subject sale agreement. Approximately \$99,000, relating to the 42.7 acres leased back, of the total gain of \$176,000 realized from this 75.3 acre sale/leaseback transaction has been deferred and will be amortized over the life of the lease agreement.

The amortization of the deferred gain totals approximately \$25,000 per year for the 1999 sale-leaseback agreement and \$7,000 for the 2004 sale-leaseback agreement, and is recorded as an offset to the related lease expense in selling, general and administrative expenses.

In 2005, the Company entered into a long-term grape purchase agreement with one of its Willamette Valley wine grape growers whereby the Winery agreed to purchase the grape yields at fixed contract prices through 2015, with the first crop received in 2007. In 2006, the Company entered into another long-term grape purchase agreement with the same Willamette Valley wine grape growers whereby the Winery agreed to purchase additional grape yields at fixed contract prices through 2016, with the first crop in 2008. The Company is obligated to purchase 100% of the crop produced within the strict quality standards and crop loads, equating to maximum payments of approximately \$1,500,000 per year. We cannot calculate the minimum payment as such a calculation is dependent in large part on an unknown – the amount of grapes produced in any given year. If there are no grapes produced in any given year, or if the grapes are rejected for failure to meet contractual quality standards, the Company has no payment obligation for that year.

In February 2007 the Company entered into a lease agreement for approximately 60 acres of vineyard land at Elton Vineyards. This lease is for a 10 year term with four five-year renewals at the Company's option and a first right of refusal in the event of the vineyard's sale. For 2009, the annual costs of this lease were \$109,000. For subsequent years there is an escalation provision tied to the CPI not to exceed 2% per annum. Betty M. O'Brien, a Director of the Company, is a principal owner of Elton Vineyards.

In December 2007 the Company entered into a three-year lease agreement for a small, four-room office space in Wilsonville, Oregon. This space was leased to accommodate the out-of-state sales team.

In July 2008 the Company entered into a 34 year lease agreement with a property owner in the Eola Hills for 104 acres adjacent to the existing Elton Vineyards site. These 104 acres are currently planted in Christmas trees but will be developed into vineyards over the next few years. Terms of this agreement contain rent escalation that rises as the vineyard is developed.

As of December 31, 2009, future minimum lease payments are as follows:

Year ending December 31,	
2010	374,103
2011	346,506
2012	328,233
2013	326,909

2014	165,802
Thereafter	1,630,235
Total	\$ 3,171,788

The Company is also committed to lease payments for various pieces of office equipment. Total rental expense for these operating leases amounted to \$15,476 and \$20,306 in 2009 and 2008, respectively. In addition, payments for the leased vineyards have been included in inventory or vineyard developments costs and aggregate approximately \$309,522 and \$307,327 for the years ended December 31, 2009 and 2008, respectively.

Vineyard Development

The Company has approximately 204 acres of undeveloped vineyard land at December 31, 2009. This estimated cost to develop this for grape production is approximately \$13,000 per acre or \$2.6 million in total. The Company estimates that this acreage will be developed as projected sales demand dictates the need for increased grape supply.

12. Employee Benefit Plan

In February 2006, the Company instituted a 401(k) profit sharing plan covering all eligible employees. Employees who participate may elect to make salary deferral contributions to the Plan up to 100% of the employees' eligible payroll subject to annual Internal Revenue Code maximum limitations. We make a matching contribution of \$1 for every \$1 contributed by the participant up to 4% of the participant's eligible payroll. In addition, the Company may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan.

For the years ended December 31, 2009 and 2008 the amount expensed under this plan was approximately \$64,745 and \$67,416 respectively.

13. Segment Reporting

The Company has identified two operating segments, Produced Wine and Bacchus Distribution. Bacchus Distribution (dba Bacchus Fine Wines), is the company's in-state distribution department. Bacchus distributes produced wine, purchased wine and glassware at wholesale prices to in-state customers. Produced wine represents all Willamette Valley Vineyard branded wine which is produced at the winery. Purchased wines and glassware are brands purchased from other wine distributors and wineries for sale to in-state customers. For segment reporting, the produced wines distributed by Bacchus are consolidated with Retail and Out-of-State sales and shown as Produced Wines.

Discrete financial information for these operating segments was not available in prior years, which resulted in the segments being aggregated and reflected as a single segment. Effective as of the three months ended March 31, 2008, certain discrete financial information became available with the implementation of new accounting and inventory tracking software. The two segments reflect how the Company's operations are evaluated by senior management and the structure of its internal financial reporting. The Company evaluates performance based on the gross profit of the respective business segment. Sales, general and administrative expenses are not allocated between operating segments, therefore net income information for the respective segments is not available. Discrete financial information related to segment assets, other than inventory, is not available and that information continues to be aggregated.

The following tables outline the sales, cost of sales and gross profit, for the twelve month periods ended December 31, 2009 and 2008 by operating segment:

	Twelve months ended December 31, 2009		
	Bacchus Distribution	Produced Wine	Total
Net Sales	\$ 4,532,176	\$ 12,031,536	\$ 16,563,712
Cost of Sales	\$ 3,319,689	\$ 5,530,111	\$ 8,849,800
Gross Profit	\$ 1,212,487	\$ 6,501,425	\$ 7,713,912
% of sales	26.8%	54.0%	46.6%

	Twelve months ended December 31, 2008		
	Bacchus Distribution	Produced Wine	Total

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Net Sales	\$ 4,881,162	\$ 11,167,076	\$ 16,048,238
Cost of Sales	\$ 3,452,284	\$ 4,777,594	\$ 8,229,877
Gross Profit	\$ 1,428,878	\$ 6,389,482	\$ 7,818,361
% of sales	29.3%	57.2%	48.7%

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Total inventory for Bacchus Distribution at the period ended December 31, 2009 was \$1,664,799 of purchased wines and \$338,822 of non-wine merchandise at period end December 31, 2009. This compares to produced bottled wine inventory of \$6,602,463, produced bulk wine inventory of \$2,947,005 and \$616,318 of non-wine merchandise and work-in-process for the same period. For the period ended December 31, 2008 total inventory for Bacchus Distribution was \$2,012,796 of purchased wines and \$231,049 of non-wine merchandise. This compared to produced bottled wine inventory of \$4,566,902, produced bulk wine inventory of \$3,249,527 and \$543,930 of non-wine merchandise and work-in-process for the same period.

14. Quarterly Financial Information (Unaudited)

Following is a summary of unaudited quarterly financial information for fiscal 2009 and 2008.

Year Ended December 31, 2009	Condensed Consolidated Statements of Income			
	Q1	Q2	Q3	Q4
	(in thousands, except per share data)			
Revenue	\$ 3,629	\$ 4,052	\$ 4,360	\$ 4,523
Gross profit	1,866	1,996	2,129	1,723
Income (loss) from operations	304	458	460	(105)
Net income (loss)	165	254	248	64
Basic net income (loss) per share	\$.03	\$.05	\$.05	\$.01
Diluted net income (loss) per share	\$.03	\$.05	\$.05	\$.01

Shares used in calculation of net income (loss) per share:

Basic	4,852,244	4,858,480	4,877,020	4,888,977
Diluted	4,864,444	4,877,738	4,888,667	4,907,325

Year Ended December 31, 2008	Condensed Consolidated Statements of Income			
	Q1	Q2	Q3	Q4
	(in thousands, except per share data)			
Revenue	\$ 3,402	\$ 3,885	\$ 4,057	\$ 4,704
Gross profit	1,649	1,911	1,981	2,277
Income (loss) from operations	120	265	462	516
Net income (loss)	60	158	244	247
Basic net income (loss) per share	\$.01	\$.03	\$.05	\$.05
Diluted net income (loss) per share	\$.01	\$.03	\$.05	\$.05

Shares used in calculation of net income (loss) per share:

Basic	4,837,288	4,844,475	4,850,327	4,798,258
Diluted	4,997,082	5,006,888	4,948,301	4,840,530

The following is a summary of the significant fourth quarter adjustments for our fiscal year 2009:

Allocation of produced wine expenditures to costs of goods sold	\$ 373,691
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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that the information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer/Controller as appropriate, to allow timely decisions regarding required disclosure. In connection with the preparation of this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of our CEO and CFO/Controller, as of December 31, 2009, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of December 31, 2009. Management's conclusion was based on discoveries and observations made during the 2009 year-end audit in conjunction with our independent audit firm, Moss-Adams LLP. Management identified the following material weaknesses:

- Lack of sufficient procedures and controls related to the allocation of costs to our produced wines. This material weakness was identified during the 2008 year-end audit by management and accounting staff present at the time of the audit, in conjunction with our independent auditors, Moss-Adams LLP. During the 2009 year-end audit significant analysis and review was completed and ultimately resulted in an adjustment to inventory and cost of goods sold of \$373,691. Accordingly, the material weakness identified in 2008 was still present as of December 31, 2009.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act and includes those policies and procedures that: (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements. All internal controls, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control – Integrated Framework. In performing this assessment, management identified the following material weakness:

- Lack of sufficient procedures and controls related to the allocation of costs to our produced wines. This weakness was identified during the 2008 year-end audit by management and accounting staff present at the time of the audit, in conjunction with our independent auditors, Moss-Adams LLP. During the 2009 year-end audit significant analysis and review was completed and ultimately resulted in an adjustment to inventory and cost of goods sold of \$373,691.

Based on its assessment, our management concluded that, as of December 31, 2009, our internal control over financial reporting was not effective. Management believes that the one material weakness has not affected our ability to present GAAP-compliant financial statements in this Form 10-K. During the year-end financial statement close we were able to recognize and adjust our financial records to properly present our financial statements and we were therefore able to present GAAP-compliant financial statements. Management does not believe that its weakness with respect to its procedures and controls have had a pervasive effect upon our financial reporting and the overall control environment due to our ability to make the necessary reconciling adjustments to our financial statements.

The reconciling adjustment posted to our 2009 closing trial balance was identified by both the company's internal accounting personnel and our auditors after our closing trial balance was provided to our auditors for their final fieldwork in February. This adjustment was deemed to be a significant fourth quarter adjustment and was disclosed in Footnote 14 of our 2009 financial statements. There were other insignificant adjustments identified by both management and our auditor after the commencement of the audit final fieldwork.

Given the reconciling adjustments posted during the year-end financial statement close, we undertook an evaluation of the underlying causes of this error, including an evaluation the accounting and finance personnel, in connection with our assessment of the effectiveness of internal control over financial reporting at December 31, 2009. We expanded the scope of the related reconciliations and as well as additional analysis of other accounts in light of the material weakness identified. We believe the additional procedures performed by management subsequent to the commencement of our auditors fieldwork, but prior to the filing of our Form 10-K mitigated the risk of material misstatement in the financial statements.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Management's Remediation Initiatives

In addition to the remediation efforts specifically discussed above, management has commenced a number of initiatives to address the material weakness noted above and those disclosed in our 2008 report on Internal Controls Over Financial Reporting, including the following:

Management has hired additional experienced resources in the last quarter of 2009 to ensure that a process design is created and implemented with proper training of accounting personnel. The Company has shown significant improvement in remediating material weaknesses previously identified and disclosed in prior years and recognizes the importance of having critical accounting resources employed to fully remediate any material weakness.

Management is undertaking a review of its inventory costing processes and intends to increase the frequency and depth of the analysis of produced wine inventory costs.

Key managers and accounting personnel will work closely with our independent audit firm in evaluating our progress in remediating this material weakness with oversight by the audit committee.

Elements of our remediation plan can only be accomplished over time and we can offer no assurances that those initiatives will ultimately have the intended effects.

Management will continue the process of reviewing existing controls, procedures and responsibilities to more closely identify financial reporting risks and the required controls to address them. Key control and compensating control procedures will be developed to ensure that material weaknesses are properly addressed and related financial reporting risks are mitigated. Periodic control validation and testing will also be implemented to ensure that controls continue to operate consistently and as designed.

Changes in Internal Control over Financial Reporting

In 2009 the Company revised the procedures for cash reconciliation which resulted in improved accuracy and therefore no adjusting entries were recognized during the audit review. It is management's belief that this former

material weakness has been fully remediated in 2009. In the third quarter of 2009 management engaged consulting resources to review and improve its perpetual inventory maintenance and procedures. It is management's belief that this former material weakness has been fully remediated in 2009. In November 2009 the Company supplemented its accounting resources and hired a full-time, experienced controller to assist in improving the internal controls over financial reporting. The Company utilizes contract accounting resources to help supplement accounting activities as necessary. It is management's belief that this former material weakness has been fully remediated in 2009. There have not been any other changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors, nominees for election as a director, and each such person's age at December 31, 2009 and position with the Company.

Name	Position(s) with the Company	Age
James W. Bernau ***	Chairperson of the Board,	
	President and Director	56
Craig Smith **	Secretary and Director	63
Jeffrey J. Fox	Chief Financial Officer	45
James L. Ellis ***	Director	65
Sean M. Cary	Director	36
Thomas M. Brian **	Director	61
Delna L. Jones * ***	Director	69
Betty M. O'Brien *	Director	65
Stan G. Turel * ** ***	Director	62

*Member of the Compensation Committee

**Member of the Audit Committee

***Member of the Executive Committee

All directors hold office until the next annual meeting of shareholders or until their successors have been elected and qualified. Executive officers are appointed by the Board of Directors and serve at the pleasure of the Board of Directors. Set forth below is additional information as to each director and executive officer of the Company.

James W. Bernau. Mr. Bernau has been President and Chairperson of the Board of Directors of the Company since its inception in May 1988. Willamette Valley Vineyards was originally established as a sole proprietorship by Oregon winegrower Jim Bernau in 1983, and he co-founded the Company in 1988 with Salem grape grower, Donald Voorhies. From 1981 to September 1989, Mr. Bernau was Director of the Oregon Chapter of the National Federation of Independent Businesses ("NFIB"), an association of 15,000 independent businesses in Oregon. Mr. Bernau has served as the President of the Oregon Winegrowers Association and the Treasurer of the association's Political Action Committee (PAC) and Chair of the Promotions Committee of the Oregon Wine Advisory Board, the State of Oregon's agency dedicated to the development of the industry. In March 2005, Mr. Bernau received the industry's Founder's Award for his service.

Craig Smith, CPA, MBA, JD. Mr. Smith has served as a Director since October 2007 and as Secretary since 2009. Mr. Smith is the Vice President/Chief Financial Officer of Chemeketa Community College in Salem, Oregon. He was an Adjunct Professor at the Atkinson Graduate School of Management at Willamette University, as well as Managing Partner of a large local CPA firm. He has served on many State of Oregon commissions and he has served as the Board Chairperson for many of the local non-profit and educational institutions including the Salem Keizer School Board, Chemeketa Community College Board of Education, State Fair Dismissal Appeals Board, Mid-Willamette Valley Council of Governments, Oregon School Boards Association and the United Way. Mr. Smith

is an active member of the Oregon State Bar and a Certified Public Accountant.

Jeffrey J. Fox. Mr. Fox has been Chief Financial Officer since October 2007. Previously, from 2006 to 2007, Mr. Fox served as the Chief Financial Officer for Traeger Pellet Grills LLC based in Wilsonville, Oregon. The principal business of Traeger Pellet Grills LLC is the manufacturing and distribution of barbecue grills. From 2005 to 2006 he served as Analysis Manager and acting Controller for the Georgia-Pacific paper mill based in Bellingham, Washington. The principal business of Georgia-Pacific is the manufacturing of consumer paper products. Prior to that, from 2001 to 2005, he served as Controller for Georgia-Pacific Northwest Handling Division located in Portland, Oregon. The principal business of Georgia-Pacific Northwest Handling Division is the distribution of Georgia-Pacific brand consumer paper products. None of the foregoing organizations are a parent, subsidiary or other affiliate of the Company. Mr. Fox holds a Bachelor of Science Degree in Finance from Oregon State University.

James L. Ellis. Mr. Ellis has served as a Director since July 1991. Mr. Ellis retired from full time duties with the Company in July of 2009 and currently works part-time on selected projects. Mr. Ellis previously served as the Company's Director of Human Resources from 1993 to 2009. He also served as the Company's Secretary from 1997 to 2009, and Vice President /Corporate from 1998 to 2009. From 1990 to 1992, Mr. Ellis was a partner in Kenneth L. Fisher, Ph.D. & Associates, a management-consulting firm. From 1980 to 1990, Mr. Ellis was Vice President and General Manager of R.A. Kevane & Associates, a Pacific Northwest personnel-consulting firm. From 1962 to 1979, Mr. Ellis was a member of and administrator for the Christian Brothers of California, owner of Mont La Salle Vineyards and producer of Christian Brothers wines and brandy.

Sean M. Cary. Mr. Cary was elected to the Board of Directors in 2007. Mr. Cary is the Corporate Controller of National Warranty Corporation, a Eugene, Oregon based provider of finance and insurance products sold through automobile dealers located in the Pacific Northwest. Previously, Mr. Cary served as the CFO of Cascade Structural Laminators, a laminated bean manufacturer headquartered in Eugene, Oregon and prior to that as Controller of Willamette Valley Vineyards. Mr. Cary served in the U.S. Air Force as a Financial Officer. Mr. Cary holds a Master of Business Administration degree from the University of Oregon and a Bachelor of Science Degree in Management from the U.S. Air Force Academy.

Thomas M. Brian. Mr. Brian was appointed to the Board of Directors in June of 2004. Mr. Brian has served as Chairman of the Washington County Board of Commissioners since 1999. Previously, he served for 10 years in the Oregon House of Representatives. While in the legislature, Mr. Brian was Chairman of the Revenue Committee and served on the Judicial and Ways and Means Committees. He also served 10 years as City Councilor and Mayor of Tigard, OR. Mr. Brian has successfully owned and operated a commercial/industrial real estate company for eighteen years.

Delna L. Jones. Ms. Jones has served as a Director since November 1994. Ms. Jones resigned from the Board in December of 2002 having moved to Southern California and was reappointed by the Board in March of 2005 having returned to Oregon. Currently Ms. Jones is President of Delna Jones and Associates, an independent consulting firm. Ms. Jones was elected in 1998 and served as a County Commissioner for Washington County, Oregon from 1998 to 2000. Ms. Jones has served as project director for the CAPITAL Center, an education and business consortium from 1994 to 1998. From 1985 to 1990, Ms. Jones served as Director of Economic Development with US West Communications. Beginning in 1982, she was elected six times to the Oregon House as the State Representative for District 6. During her tenure, she served as the Assistant Majority Leader; she also chaired the Revenue and School Finance committee, and served on the Legislative Rules and Reorganization committee and the Business and Consumer Affairs committee.

Betty M. O'Brien. Ms. O'Brien has served as a Director since July 1991. Ms. O'Brien is co-owner of Elton Vineyards L.L.C., a commercial vineyard located in Eola Hills in Yamhill County, Oregon and established in 1983. Ms. O'Brien was the Executive Director of the Oregon Wine Board from 2001 to 2004. Ms. O'Brien was employed by Willamette University as its Director of News and Publications from 1988 to 2000. She is a member of the Oregon Winegrowers Association, having previously served as its President and Treasurer and as a director. Ms. O'Brien is a member of the Vineyard Management/Winemaking Program Advisory Committee at Chemeketa Community College (CCC). She headed a wine industry task force developing a new wine marketing program and curriculum leading to a two-year degree at CCC. She now teaches Introduction to Wine Marketing. She serves as Chair of the Board of Directors of LIVE (Low Input Viticulture and Enology).

Stan G. Turel. Mr. Turel has served as a Director since November of 1994. Mr. Turel is President of Turel Enterprises, a real estate management company managing his own properties in Oregon, Washington and Idaho. Prior to his current activities, Mr. Turel was the Principal and CEO of Columbia Turel, (formally Columbia Bookkeeping, Inc.) a position which he held from 1974 to 2001. Prior to the sale of the company to Fiducial, one of Europe's largest

accounting firms, Columbia had 26,000 annual tax clients including 4,000 small business clients. Additionally Mr. Turel successfully operated as majority owner two cable TV companies during the 80's and 90's which were eventually sold to several public corporations. Mr. Turel is a pilot, was a former delegate to the White House Conference on Small Business and held positions on several state and local Government committees.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers, directors and persons who own more than ten percent of a registered class of the Company's equity securities to file certain reports with the Securities and Exchange Commission (the "SEC") regarding ownership of, and transactions in, the Company's securities. These officers, directors and stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) reports that are filed with the SEC. Based solely on a review of copies of such forms received by the Company and written representations received by the Company from certain reporting persons, the Company believes that for the year ended December 31, 2009 all Section 16(a) reports required to be filed by the Company's executive officers, directors and 10% stockholders were filed on a timely basis.

Code of Ethics

The Company adopted a code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, which is a "code of ethics" as defined by applicable rules of the Securities and Exchange Commission. A copy of the Code of Business Conduct and Ethics is posted on the Company's web site, www.willamettevalleyvineyards.com. Amendments to the code of ethics or any grant of a waiver from a provision of the code of ethics requiring disclosure under applicable SEC rules, if any, will be disclosed on our website at www.willamettevalleyvineyards.com. Any person may request a copy of the code of ethics, at no cost, by writing to us at the following address:

Willamette Valley Vineyards, Inc.
Attention: Corporate Secretary
8800 Enchanted Way SE
Turner, OR 97392

Nominating Committee

The Board of Directors acts as a nominating committee for selecting nominees for election as directors. Independent directors select nominees, and such selections are ratified by the Board of Directors.

Audit Committee

The Company has a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The members of the Audit Committee are Thomas M. Brian, Craig Smith, and Stan G. Turel. All members of the Audit Committee are independent as defined under the applicable rules and regulations of the SEC and the director independence standards of the NASDAQ Stock Market, as currently in effect.

Audit Committee Financial Expert

Chairperson Craig Smith serves as the Audit Committee's financial expert. Mr. Smith is independent as defined under the applicable rules and regulations of the SEC and the director independence standards of the NASDAQ Stock Market, as currently in effect.

Compensation Committee

The Company has a separately designated compensation committee. The members of the Compensation Committee are Betty M. O'Brien, Delna Jones, and Stan G. Turel. All members of the Compensation Committee are independent

as defined under the applicable rules and regulations of the SEC and the director independence standards of the NASDAQ Stock Market, as currently in effect.

Item 11. Executive Compensation.

Summary Compensation Table

The following table sets forth certain information concerning compensation paid or accrued by the Company, to or on behalf of the Company's principal executive officer, James W. Bernau and principal financial officer, Jeffrey J. Fox (the "Named Executive Officers") for the years ending December 31, 2009 and 2008. No other officer, director or other employee of the Company other than Mr. Bernau and Mr. Fox received total compensation in 2009 in excess of \$100,000. In accordance with Item 402(m) of Regulation S-K, Mr. Bernau and Mr. Fox are the only executive officers of the Company for whom disclosure is required.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Compensation (\$)	Nonqualified Deferred Compensation (\$)	All Other Compensation (\$)	Total (\$)
Bernau, James W., President, Chief Executive Officer and Chairman	2009	173,379	43,653	-	-	-	-	5,663	222,695
	2008	167,840	41,960	-	-	-	-	14,476	224,276
Fox, Jeffrey J. Chief Financial Officer	2009	113,031	113,031						

Bernau Employment Agreement

The Company and Mr. Bernau are parties to an employment agreement dated August 3, 1988 and amended in February 1997 and again amended in January of 1998. Under the amended agreement, Mr. Bernau is paid an annual salary of \$173,379 with annual increases tied to increases in the consumer price index. Pursuant to the terms of the employment agreement, the Company must use its best efforts to provide Mr. Bernau with housing on the Company's property. Mr. Bernau lives in the mobile home free of rent and must continue to reside there for the duration of his employment in order to provide additional security and lock-up services for late evening events at the Winery and Vineyard. The employment agreement provides that Mr. Bernau's employment may be terminated only for cause, which is defined as non-performance of his duties or conviction of a crime.

Stock Options

In order to reward performance and retain high-quality employees, the Company often grants stock options to its employees. The Company does not ordinarily directly issue shares of stock to its employees. Options are typically issued at a per share exercise price equal to the closing price as reported by the Capital Market at the time the option is granted. The options vest to the employee over time. Three months following termination of the employee's employment with the Company, any and all unexercised options terminate.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information, with respect to the Named Executive Officers, concerning exercised options during the last fiscal year and unexercised options held as of December 31, 2009.

Option Awards	Equity Incentive Plan Awards:	Stock Awards		Equity Incentive Plan Awards:
		Number of Shares	Value of Shares or Shares, \$	
Number of	Number of	Number of	Value of	Number of
			Unearned	Unearned
			Shares,	Shares,

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Name	Securities Underlying Unexercised Options (#) Exercisable	Securities Underlying Unexercised Options (#) Unexercisable	Securities Underlying Unexercised Options (#) Unearned	Option Exercise Price (\$)	Option Expiration Date	or Units of Stock that Have Not Vested (#)	Units of Stock that Have Not Vested (\$)	Units or Other Rights tha Have Not Vested (#)	Units or Other Rights that Have Not Vested (\$)
Bernau, James									
2/11/2005	75,000	-	-	3.289	2/11/2010	-	-	-	-
8/1/2005	4,000	-	-	4.136	8/1/2010	-	-	-	-
12/27/2005	64,000	-	-	5.50	12/27/2010	-	-	-	-

Director Compensation

The following table sets forth information concerning compensation of our directors other than Mr. Bernau for the fiscal year ended December 31, 2009.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards \$(1)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)		All Other Compensation (\$)	Total (\$)
James L. Ellis	0	0	0	0	0	0	0	0
Sean M. Cary	2,000	0	0	0	0	0	0	2,000
Thomas M. Brian	0	0	0	0	0	0	0	0
Delna L. Jones	0	0	0	0	0	0	0	0
Craig Smith	600	0	0	0	0	0	0	600
Betty M. O'Brien	2,200	0	0	0	0	0	0	2,200
Stan G. Turel	2,000	0	0	0	0	0	0	2,000

(1) The amounts provided in this column represent the aggregate grant date fair value of option awards granted to our directors in the fiscal year ended December 31, 2009 as calculated in accordance with FASB ASC Topic 718, Stock Compensation. The aggregate number of option awards outstanding for each director as of December 31, 2008 is as follows: Mr. Ellis – 81,130, Mr. Cary – 16,000, Mr. Brian – 22,000, Ms. Jones – 27,800, Mr. Smith – 0, Ms. O'Brien – 40,700, and Mr. Turel – 37,517.

The members of the Company's Board of Directors received cash compensation for their service on the Board in 2009, and were reimbursed for out-of-pocket and travel expenses incurred in attending Board meetings. Under the Company's Stock Incentive Plan adopted by the shareholders in 1992 and further amended by the shareholders in 1996, beginning in 1997 an option to purchase 1,500 shares of Common Stock is granted to each Director for service on the Board during the year. This option was increased to 4,000 per year when the 50-share grant per Director's meeting was discontinued for the year 2000 and beyond. In December 2005, each Director was granted 14,000 options for service during 2005. In the foreseeable future, as a result of FASB ASC Topic 718, Stock Compensation, requiring all share-based payments to be recognized as expenses in the statement of operations based on their fair values and vesting periods, the Company does not intend to issue stock options to the Directors for their service.

In January of 2009 the Board of Directors upon recommendation of the Compensation Committee who sought outside counsel regarding revision of the Company's Board Compensation Plan, adopted the final version of the revised WVV Board Member Compensation Plan. Under the terms of the plan, any Board member can elect not to receive any or all of the compensation components and the Board reserves the right to suspend this plan at any time depending on the effects of the economy on the Company. The basic elements of the plan are: \$1,000 yearly stipend for service on the Board, \$500 per Board meeting attended in person, \$250 per Board meeting via teleconference, \$200 per committee meeting in person and \$100 per committee meeting via teleconference. A set per diem for expenses associated with meeting attendance, as well as, a yearly wine and glassware allowance were also approved.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table summarizes information, as of December 31, 2009, with respect to shares of our common stock that may be issued under our existing equity compensation plans.

	(A)	(B)	(C)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average price of outstanding options and warrants	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
(share numbers in table are in thousands except per share amounts)			
Equity compensation plans approved by security holders (1)	355,700	\$ 4.16	132,476
Equity compensation plans not approved by security holders	-	-	-
Total	355,700	\$ 4.16	132,476

(1) Includes shares of our common stock issuable upon exercise of options from the Company's 1992 Stock Incentive Plan and 2001 Stock Incentive Plan.

The Company does not have compensations plans under which equity securities of the Company are authorized for issuance which were adopted without the approval of security holders

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to beneficial ownership of the Company's Common Stock as of March 15, 2010, by (i) each person who beneficially owns more than 5% of the Company's Common Stock, (ii) each Director of the Company, (iii) each of the Company's named executive officers, and (iv) all directors and executive officers as a group. Except as indicated in the footnotes to this table, each person has sole voting and investment power with respect to all shares attributable to such person.

	Number of Shares Outstanding Stock	Percent of Shares Beneficially Owned
James W. Bernau President/CEO, Chair of the Board 2545 Cloverdale Road Turner, OR 97392	614,032(1)	12.6%
James L. Ellis Director 7850 S.E. King Road Milwaukie, OR 97222	81,130(2)	**
Thomas M. Brian Director		

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7630 SW Fir Tigard, OR 97223	22,000(3)	**
Delna L. Jones Director 14480 SW Chardonnay Ave Tigard, OR 97224	27,800(4)	**
Sean M. Cary Director 3188 Blacktail Drive Eugene, OR 97405	15,283(5)	**
Betty M. O'Brien Director 22500 Ingram Lane NW Salem, OR 97304	42,200(6)	**
Stan G. Turel Director 2125 NE 11th Place Bend, OR 97701	39,517(7)	**
Craig Smith Director 367 Sanrodee Drive Salem, OR 97317	0	**
Jeff Fox CFO 14940 Seal Rock Ave NE Aurora, OR 97002	1,000	**
All Directors, executive officers and persons owning 5% or more as a group (7 persons)	842,962(8)	17.2%

** Less than one percent.

- (1) Includes 68,000 shares issuable upon exercise of options exercisable within 60 days of the date of March 29, 2010.
- (2) Includes 76,000 shares issuable upon the exercise of options exercisable within 60 days of the date of March 29, 2010.
- (3) Includes 22,000 shares issuable upon the exercise of options exercisable within 60 days of the date of March 29, 2010.
- (4) Includes 26,000 shares issuable upon the exercise of options exercisable within 60 days of the date of March 29, 2010.
- (5) Includes 2,083 shares issuable upon the exercise of options exercisable within 60 days of the date of March 29, 2010.
- (6) Includes 30,000 shares issuable upon the exercise of options exercisable within 60 days of the date of March 29, 2010.
- (7) Includes 14,000 shares issuable upon the exercise of options exercisable within 60 days of the date of March 29, 2010.
- (8) Includes 312,500 shares issuable upon exercise of options exercisable within 60 days of the date of March 29, 2010.

Item 13 Certain Relationships and Related Transactions, and Director Independence.

In 2007, the Company entered into a long-term lease for Elton vineyards which consists of 60 acres of mature grapevines, of which approximately 42 acres are Pinot Noir. The agreement was for an initial 10 year lease with the option to renew for 4 successive terms of 5 years each, plus a first right of refusal on the property's sale. Betty O'Brien, a member of the Company's Board of Directors, is a 50% owner of the lessor, Elton Vineyards, LLC. As such, she is therefore entitled to 50% of the net income of Elton Vineyards, LLC.

The Company believes that the transactions set forth above were made on terms no less favorable to the Company than could have been obtained from unaffiliated third parties. All future transactions between the Company and its officers, directors, and principal shareholders will be approved by a disinterested majority of the members of the Affiliated Transactions Committee of the Company's Board of Directors, and will be on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

The Board of Directors has determined that each of our directors, except Mr. Bernau, Mr. Ellis and Mr. Fox, is “independent” within the meaning of the applicable rules and regulations of the SEC and the director independence standards of The NASDAQ Stock Market, Inc. (“NASDAQ”), as currently in effect. Furthermore, the Board of Directors has determined that each of the members of each of the committees of the Board of Directors is “independent” under the applicable rules and regulations of the SEC and the director independence standards of NASDAQ, as currently in effect.

Item 14. Principal Accounting Fees and Services.

Fees for professional services provided by our independent registered public accounting firm in each of the last two fiscal years, in each of the following categories are:

	Years Ended December 31,	
	2009	2008
Audit Fees	\$ 209,665	\$ 292,917
Audit - Related Fees	-	-
Tax Fees	28,053	29,830
Other Fees	-	-
	\$ 237,718	\$ 322,747

Moss Adams LLP served as the Company’s independent registered public accounting firm for the years ended December 31, 2009 and 2008.

Pre-Approval Policies and Procedures

It is the policy of the Company not to enter into any agreement for Moss Adams LLP to provide any non-audit services to the Company unless (a) the agreement is approved in advance by the Audit Committee or (b) (i) the aggregate amount of all such non-audit services constitutes no more than 5% of the total amount the Company pays to Moss Adams LLP during the fiscal year in which such services are rendered, (ii) such services were not recognized by the Company as constituting non-audit services at the time of the engagement of the non-audit services and (iii) such services are promptly brought to the attention of the Audit Committee and prior to the completion of the audit were approved by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee. The Audit Committee will not approve any agreement in advance for non-audit services unless (1) the procedures and policies are detailed in advance as to such services, (2) the Audit Committee is informed of such services prior to commencement and (3) such policies and procedures do not constitute delegation of the Audit Committee’s responsibilities to management under the Securities Exchange Act of 1934, amended. To date, the Audit Committee has not established such policies and procedures because we do not intend to have our auditors provide any non-audit services in the foreseeable future. If our intentions change, the Audit Committee will adopt the appropriate pre-approval policies and procedures as outlined above.

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements.

See “Index to Financial Statements” in Item 8 on page 23 of this Annual Report on Form 10-K.

(2) Financial Statement Schedules.

All financial statement schedules are omitted either because they are not required, not applicable or the required information is included in the financial statements or notes thereto.

(3) Exhibits.

Exhibit Number	Description
3.1	Articles of Incorporation of Willamette Valley Vineyards, Inc. (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
3.2	Bylaws of Willamette Valley Vineyards, Inc. (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.1*	Employment Agreement between Willamette Valley Vineyards, Inc. and James W. Bernau dated August 3, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.2	Indemnity Agreement between Willamette Valley Vineyards, Inc. and James W. Bernau dated May 2, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.3	Indemnity Agreement between Willamette Valley Vineyards, Inc. and Donald E. Voorhies dated May 2, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.4	Shareholders Agreement among Willamette Valley Vineyards, Inc. and its founders, James Bernau and Donald Voorhies, dated May 2, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.5	Revolving Note and Loan Agreement dated May 28, 1992 by and between Northwest Farm Credit Services, Willamette Valley Vineyards, Inc. and James W. and Cathy Bernau (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.6	Founders' Escrow Agreement among Willamette Valley Vineyards, Inc., James W. Bernau, Donald Voorhies and First Interstate Bank of Oregon, N.A. dated September 20, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.7	Amendment to Founders' Escrow Agreement dated September 20, 1988 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.8	Stock Escrow Agreement among Willamette Valley Vineyards, Inc., Betty M. O'Brien and Charter Investment Group, Inc. dated July 7, 1992 (incorporated by reference from the Company's Regulation A Offering Statement on Form 1-A [File No. 24S-2996])
10.9	Stock Escrow Agreement among Willamette Valley Vineyards, Inc., Daniel S. Smith and Piper Jaffray & Hopwood, Inc. dated July 7, 1992 (incorporated by reference from the Company's Regulation A

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Offering Statement on Form 1-A [File No. 24S-2996])

- 14.1 Code of Ethics (incorporated by reference from the Company's Proxy Statement on Schedule 14A, filed on June 30, 2004)
- 23.1 Consent of Moss Adams LLP, Independent Registered Public Accounting Firm (Filed herewith)
- 31.1 Certification of Chief Executive Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934 (Filed herewith)

- 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a) of the Securities Exchange Act of 1934 (Filed herewith)
- 32.1 Certification of James W. Bernau pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished, not filed, herewith)
- 32.2 Certification of Jeffrey J. Fox pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Furnished, not filed, herewith)

* Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Annual Report on Form 10-K pursuant to Item 15(b) thereof

(b) The exhibits listed under Item 15(a)(3) hereof are filed as part of this Form 10-K, other than Exhibits 32.1 and 32.2, which shall be deemed furnished.

(c) All financial statement schedules are omitted either because they are not required, not applicable or the required information is included in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILLAMETTE VALLEY VINEYARDS,
INC.
(Registrant)

By:
James W. Bernau,
Chairperson of the Board, President

Date: March 29, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
James W. Bernau	Chairperson of the Board, President (Principal Executive Officer)	March 29, 2010
Jeffrey J. Fox	CFO (Principal Accounting Officer)	March 29, 2010
James L. Ellis	Director	March 29, 2010
Thomas M. Brian	Director	March 29, 2010
Delna L. Jones	Director	March 29, 2010
Craig Smith	Director	March 29, 2010
Betty M. O'Brien	Director	March 29, 2010
Stan G. Turel	Director	March 29, 2010
Sean M. Cary	Director	March 29, 2010