

FINAL MINUTES

Virginia Winery Distribution Company (VWDC)
102 Governor Street
Richmond, VA 23219
March 10, 2020

Call to Order

Chairman Randy Phillips called the VWDC Board meeting to order at 1:33 p.m.

Chairman Phillips welcomed the group and asked the attendees to do roundtable introductions.

Members Present

Randy Phillips, Chairman
Jay Colston
Courtney Mailey
Doug Zerbst

Others Present

Kevin Clay, Big Spoon Co.
Kate Pyle, Big Spoon Co.
Lauren Jiang, VDACS
Carol Brown, VADCS
Robin Hill, VWDC and VDACS
Kendra Shifflett, VDACS
Burnie Gaskill, VA ABC
John Sanderson, Virginia Interactive
Trip Perrin, Virginia Wine Wholesalers Association

Approval of Draft Minutes

Copies of the agenda and draft minutes were distributed in advance to all board members and copies were distributed at the beginning of the meeting. Chairman Phillips called for a vote to adopt the minutes as read. Mr. Colston made a motion to accept the minutes and Mr. Zerbst seconded the motion. The motion passed as stated.

Operations Report

Ms. Hill provided the Operations Report. Ms. Hill advised since the last meeting VWDC has paid administrative costs to VDACS of \$40,000 and \$5,600 to SevenFifty. VWDC also continues to pay Virginia Interactive for the work they are doing. The current expenses to date are \$199,933. VWDC has an ending cash balance of \$50,585 to date and has met projected revenues of \$50,000 for the fiscal year. VWDC is growing in size and there will be more transactions this year meaning and increase in transaction fee revenue above the budgeted \$50,000.

Licensing Update

Ms. Hill continued with the licensing update. Ms. Hill reported VWDC issued six winery licenses since the last meeting and 24 wineries have completed Part – 1 of the application process. Non-responsive VWDC applicants are deleted after six months unless the wineries indicate continued interest.

Financial Highlights

Ms. Hill reported VWDC has sales of \$2.7 million as of the current fiscal year from July to February. Ms. Hill commented we are doing above what we did last year. Ms. Hill reported VWDC sales comprised of 75% wine, 22% cider, and 3% mead.

Chairman Phillips asked Mr. Gaskill if hard seltzer is treated as beer in Virginia. Mr. Gaskill confirmed hard seltzer is treated like beer in the retail category. Mr. Gaskill stated there are only a few companies entering that market, and his thought is the hard seltzer is treated as beer because the way it is manufactured is similar to beer.

Ms. Hill noted VWDC is in the process of changing data regarding the Sales by Varietal report to allow more varietal categories. Currently, the top seller is Showalters - Old Hill Cider and the top buyer is Wegmans in Charlottesville. Ms. Hill directed the meeting participants to review the VWDC Sales by Winery report and VWDC Sales by Case reports. She advised Sales by Case Report is based on calendar year and there is data for only two months. Chairman Phillips asked about VWDC members selling sake. Ms. Hill indicated there are two, North American Sake Brewery and Shigol Makkoli Inc. Both businesses seem to be doing well. Chairman Phillips opened the floor for questions. There were no questions from the group about the operations report.

Old Business

John Sanderson from Virginia Interactive provided the board with an updated on three projects. Development has been complete and Virginia Interactive's internal testing is complete for mobile deposits. VWDC will perform additional testing of the mobile deposits process. Once VWDC completes the testing phase, VWDC and Virginia Interactive will determine how to implement the process and roll it out to the wineries in a way that will result in adoption and usage by a high percentage of the wineries. Ms. Mailey suggested possible training opportunities via webinars and in-person at Virginia Wineries Association meeting. Ms. Mailey added people often understand new processes better with in-person training. Ms. Hill stated the anticipated time of roll out for mobile deposits is early May. Ms. Hill informed the group between now and the time of the roll out of the mobile deposits there will be training opportunities. Ms. Hill stated information about the new mobile deposit process would be included in the next newsletter to the wineries in order to gear people towards the use of mobile deposits.

The second project Mr. Sanderson spoke about was Virginia Interactive's integration with SevenFifty's website. Mr. Sanderson indicated there is a level of difficulty because currently Virginia Interactive does not track UPC and SKU numbers on any of the products in the database so those items have to be added as fields in the database for entry by wineries. Virginia Interactive is working on adding UPC and SKU numbers. Ms. Hill commented VWDC is trying to roll out the mobile deposits and the SevenFifty project simultaneously. The wineries will experience two great advances offered by VWDC.

The final project Mr. Sanderson spoke about was reports. Virginia Interactive developers will start working on the reports Ms. Hill requested, including a varietal report with more detail. Ms. Hill asked the group to provide her with any reports they would like to have added to the list. Virginia Interactive and VWDC expect to roll out the upgraded reports in a couple of months.

Mr. Zerbst asked how data and information about the wineries is being pulled in from SevenFifty. Ms. Hill responded a link would be provided to wineries in order for the wineries to provide their own story and make available current information that is more relevant. Chairman Phillips suggested training be offered regarding the SevenFifty to bring the wineries up to speed. Mr. Zerbst commented from a winery perspective, it is not the content as much as getting restaurants to use the technology. How do you isolate the information? How do you let the retailers know the information is available on SevenFifty? Ms. Hill advised VWDC and Virginia Interactive had discussed how to integrate the content of Sevenfifty in the VWDC website. VWDC is providing information to Sevenfifty. What information can Sevenfifty provide to VWDC? For instance, with SevenFifty, will have the shots of the bottles - VWDC does not currently have that.

Kevin Clay, Big Spoon Co. provided an update on marketing efforts for VWDC. Mr. Clay informed the group Big Spoon Co. has completed two pieces of print collateral. He shared copies of the materials with the group. The first informational card is for the retail partners to explain how to place an order from the wineries. The second informational card is for the winery partners to explain the onboarding process with VWDC. Ms. Hill commented the information provided by Big Spoon is condensed and provides a quick explanation of VWDC processes. VWDC can upload the information cards to the website in PDF format as part of Frequently Asked Questions section of the website. Lastly, Mr. Clay advised on the event front, a date is set for the industry tasting hosted by VWDC. Big Spoon scheduled the industry tasting for Thursday, April 30, 2020, at 6 p.m. at Hatch Kitchen in Richmond. There is space for 15 wineries to participate in the tasting event and since its announcement a few days ago nine spaces have been filled. Chairman Phillips inquired about how the outreach for inviting attendees to the event will proceed. Mr. Clay shared he will use the database of retail partners to send evites for them to attend as well as email lists and direct contact by phone. There will be a registration link and invitees will have to pre-register. The goal is between 200-250 attendee focused on industry and trade and the space is large enough to accommodate the large number. Ms. Mailey asked if the contact information in the database is up to date and how bounce-backs are handled. Ms. Hill advised that wineries can update their own information, but if retailer information needs updating, call her and she will take care of it. Chairman Phillips commented the tasting event is a good idea.

Ms. Hill advised license renewals for the wineries are coming up. The Board has voted wineries will pay the full license fee. The VWDC operating rules allows reduction of the winery payments to cover the cost of license fees. This will allow efficient collection of the fees. Ms. Hill requested the Board allow the reduction in winery payments by \$185 in June to cover cost of the license renewal fees. VWDC will reduce the payments sent to the wineries in June 2020 by \$185. Ms. Hill informed the group Ms. Pyle from Big Spoon Co. will send a survey to the wineries to inquire if wineries want to keep their VWDC licenses. Ms. Pyle will send the survey to wineries with the newsletter in April. VWDC will receive the responses in time to determine from which wineries to withhold fees. If funds are insufficient to withhold the license renewal payment, VWDC will advise wineries to send a check for payment of their fees. Chairman Phillips asked if

this process would cause issues for VWDC. Ms. Hill responded this process will have a clear paper trail. After a discussion about the rate of wineries who do not pay each year for license renewals, Ms. Hill informed Ms. Pyle would include in the survey if there were no response, the winery payment would be reduced to cover the expense. Additionally, when licenses are received from Virginia ABC, VWDC will ensure wineries who prefer to pay by check will not receive their licenses until VWDC receives payment.

Chairman Phillips offered a couple of thoughts about the trade-tasting event. When the list of participants is compiled, they will need to be sure current wholesale pricing for their products be reflected in the VWDC system. If participants plan to raise prices, it needs to be done ahead of time. Mr. Clay informed wineries would serve three items during the tasting event. Ms. Mailey suggested SevenFifty be showcased at the event to make the connection with the wineries. SevenFifty can have a demo station at the event.

New Business

There was no new business to discuss.

Next Meeting Dates

June 11 at 10:30 a.m.

Adjourn

Chairman Phillips adjourned the meeting at 2:12 p.m.