



FINAL MINUTES

Virginia Winery Distribution Company (VWDC)
Republic National Distributing Company
14038 Washington Highway
Ashland, VA 23005

September 21, 2023

Call to Order

Stan Joynes called the meeting to order at 1:02 p.m., with a quorum present.

Roll Call

Members Present in Person

Doug Zerbst, Republic National Distributing Company
Stan Joynes, Valley Road Vineyards
Jay Colston, Virginia Imports, Ltd
Joseph Guthrie, VDACS Commissioner

Others Present in Person

Staci Saunders, VWDC and VDACS
Debby Girvan, Flair Communication
Emily Avery, Flair Communication
Shauna Lucas, Flair Communication
Burnie Gaskill, Virginia Alcoholic Beverage Control Authority
Justin Bell, Office of the Attorney General

Approval of Draft Minutes

Copies of the agenda and draft minutes from the June 21, 2023, meeting were distributed in advance to all Board members. Doug Zerbst moved to approve the minutes, and Jay Colston seconded, all in favor. The minutes were approved.

Operations Report

Ms. Saunders reviewed the Operations Budget Report provided to the board, including updates for budget and expenditures, licensing, and all relevant sales data through August 31, 2023. As of this date, expenses total \$43,825, mostly comprised of the Operations Manager's salary. The remainder of the costs are related to new licensing fees, marketing and hosting fees, and banking fees.

Licensing Update

Nine licenses have been approved since the June 2023 Board meeting. The new winery members are White Oak Lavender Farm, Woodbrook Farm Vineyard LLC, Wolf Gap Vineyard, The Estate at Whitehall Vineyard, Southern Revere Cellars, Ciders from Mars, Lightwell Survey Wines, Merrie Mill Farm & Vineyard, and a new location of Blue Bee Cider LLC (under new ownership).

Five applications have been submitted to ABC and are awaiting approval, while twenty-seven are pending receipt of documents from wineries to be considered complete.

Old Business

Virginia ABC vetting process for VWDC Board members

Ms. Saunders reviewed the Virginia code with ABC agent Burnie Gaskill and discussed the findings with the Board. Virginia Code § 4.1-230 outlines the process ABC follows to conduct background investigations for each applicant for a license. This Code section also indicates that ABC may waive these requirements for good cause shown. Mr. Gaskill explained that this process is performed every two years when there are pending applications for wholesale licenses. Commissioner Guthrie will discuss further with the Board of Alcoholic Beverage Control to determine whether VWDC is exempt from this requirement because each Board member is appointed by either the Governor or the Board of Agriculture.

Marketing

During the June Board meeting, the Board selected Flair Communication as the new marketing contractor for VWDC. Mr. Joynes introduced Debby Girvan, Emily Avery, and Shauna Lucas of Flair to the Board members. Commissioner Guthrie gave an overview of the VWDC Board, how the members are selected, and how valuable the VWDC is to Virginia's wineries. Debby Girvan expressed her appreciation to the Board for the opportunity to serve the VWDC. She gave an overview of their experience across Virginia industries, including several wineries, breweries, and distilleries. Ms. Girvan explained that they are small enough to be agile and creative, with a team of eight. Mr. Zerst asked about the next steps for Flair's work with VWDC. Debby explained that their first order of business is to complete the website redesign. Emily, Flair's website designer, gave a timeline of the website launch with the goal of November 1st, 2023. Next, Flair will work to update all social media platforms with new graphics and strategies to ensure the vision of the VWDC Board is articulated. Flair intends to interview wineries for blogs, information on social media, and website updates. Flair monitors activity and engagement and will generate performance reports every 90 days to analyze patterns and trends. Additionally, Flair will redesign the VWDC rack card for use in the community to provide information on VWDC.

Sales Detail

During the June Board meeting, the Board requested additional details related to sales from year to year, including precise details on which wineries are responsible for the most significant changes. Ms. Saunders presented a report to the Board showing which wineries were responsible for the most significant dip. The top five wineries with reductions in sales were True Heritage, Thatch Winery, Veritas Vineyard, Cave Ridge Vineyard, and The Winery at Bull Run. Further, Ms. Saunders shared that these top five sales losses were attributed to wineries transitioning to larger distributors for major areas of Virginia. The report compared sales totals from Fiscal Year 2022 to 2023 and showed overall that VWDC sales were down 11%; this is comprised of the following breakdown: wine sales are down 19%, cider sales are up 19%, and mead sales are up 31%. Ms. Saunders also provided a year-over-year comparison by product, showing sales and case total trends.

The Board Report also includes a breakdown of case totals for the calendar year as of September 15th, 2023. Ms. Saunders highlighted that Blue Toad Hard Cider has exceeded the limit of 3,000 cases and has been suspended until January 1, 2024.

New Business

Justin Bell, Office of the Attorney General

Board Terms – According to the current terms review, the VWDC members are out of sync. The intent is that the terms are to be staggered among both the winery owners and wholesaler members. Additional review will be required to confirm which member's term is off and needs correction.

Logo Registration – Mr. Bell suggests trademark registration through USPTO (Trademark Office) and can take care of this process on behalf of the VWDC. Ms. Saunders will provide the logo artwork to Mr. Bell. Once the trademark is approved, it will require renewal every five years.

Bank Fees/Bank account – Mr. Joynes asked Mr. Bell to advise the Board whether VWDC is required to continue using the Truist account due to the VDACS affiliation or if the Board is free to open an account with a different bank, with lower lockbox processing fees. Mr. Bell will review the requirements and report his findings.

VWDC Bylaws – The VWDC Bylaws have not been updated since their creation in 2007. Mr. Bell confirmed this and pointed out that these refer to Code section § 3.1-14.01, which has since been recodified (updated) to § 3.2, so the Bylaws need revision to bring current. Ms. Saunders will provide an editable version for Mr. Bell to revise. Commissioner Guthrie noted that a timely update would be desirable, considering the upcoming Beer Distribution company creation.

Federal Filing– Mr. Bell questioned the VWDC's responsibility to file annually with the IRS. Ms. Saunders will provide historical documentation on hand for review. Mr. Bell will follow up with confirmation of requirements.

VWDC Logo / Branding

The newly adopted logo will be announced alongside the new VWDC website. The new brand's launch date will be November 1st, 2023.

Mr. Joynes brought up the other industry trademarks related to Virginia wine and the importance of protection. Mr. Bell suggested that the entities involved work collaboratively and recommended holding an informational seminar to educate other entities on the importance of trademark protection.

ABC Licensing Process

The Board has asked for ideas to streamline the licensure process with ABC. In response, Ms. Saunders gave a summary of the required events that take place during the licensing process. The process is a two-part application, with Part 1 requiring the VWDC to pay an application fee of \$195, Part 2 requiring several documents from the winery, a legal ad posted and published for thirty days, and a license fee of \$240. VWDC absorbs all the application, publishing, and licensing fees initially. VWDC submits Part 1 to ABC and pays the application fee before receiving any Part 2 required documents from the winery. Frequently, wineries do not proceed to provide these required documents, and applications are withdrawn after six months of inactivity. Mr. Joynes suggested revising the process to require receipt of all application documents before VWDC submits Part 1 to ABC. Upon receipt of the complete package, Ms. Saunders can submit Part 1 to ABC. Upon confirmation of receipt from ABC, Ms. Saunders can proceed to Posting and Publishing and then submit Part 2 to ABC. ABC will then start the application process by assigning an agent, scheduling an inspection, and beginning the thirty-day waiting period from the first publication date. This new approach would reduce the risk of financial loss to VWDC for those wineries that are not committed and lessen the timeline for approval by ABC, making it closer to only the required thirty-day period.

The Board also discussed the possibility of passing the application fees to the winery and agreed to discuss this further during the December meeting. Ms. Saunders will provide details of historical costs associated with applications to date.

VWDC Promotion Ideas

Mr. Joynes presented a couple of promotional ideas to the Board for review. If approved, VWDC funding would support it.

Corkage reimbursement program – VWDC would refund the corkage fees to restaurants for Virginia wine. This would encourage restaurants to permit people to bring Virginia wine in. Mr. Joynes asked if this would threaten other distributors. Mr. Zerbst responded that he was not sure of the legality of the idea. Mr. Gaskill agreed that there may be a legal issue with the wholesaler giving something of value to the retailer or restaurant, which is prohibited. If something is given to one retailer or restaurant, it must be given to all others. Additionally, Mr. Zerbst asked about the funding model for this idea and noted that it would be difficult to police the integrity of those presenting requests for reimbursement. More discussion would be required to make this option viable. The Board agreed to discuss this again during a future meeting.

Barrel Auction / Pilot program – Mr. Joynes suggested creating a pilot that may someday be recreated across the state but beginning in the Monticello region. One winery would host it at their venue; major buyers nationwide would be brought in. Legal guidance would be needed, as well as VWDC funding, in addition to potential private sponsorship. Mr. Joynes asked if the board would be willing to explore this option. Mr. Zerst explained how a barrel auction works and related it to Napa Valley’s. Each participating winery would determine the “lot” of wine they want to sell (roughly a barrel or 12 cases equivalent to a barrel). Someone may purchase that barrel for whatever price. After the event, the product is sent directly to the restaurant. The Board agreed this is an excellent promotional idea to pursue, and the Board will agree to VWDC funding support. Mr. Joynes will circulate a draft of this idea to the Board members for review, and he suggested that the proceeds be used in part to support Virginia’s wine industry. Mr. Gaskill suggests caution and due diligence to ensure no conflict with ABC laws regarding wholesaler/retailer interaction.

Public Comments

There were no public comments.

Next Meeting Date

December 21, 2023 @ 1:00 p.m.

Adjourn

Mr. Joynes adjourned the meeting at 3:03 p.m.