



FINAL MINUTES

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

March 21, 2024

Call to Order

Stan Joynes called the meeting to order at 1:01 p.m., with a quorum present.

Roll Call

Members Present in Person

Doug Zerbst, Republic National Distributing Company
Stan Joynes, Valley Road Vineyards
Joseph Guthrie, VDACS Commissioner

Others Present in Person

Staci Saunders, VWDC and VDACS
Dakota Rust, VBDC and VDACS
Justin Bell, Office of the Attorney General
Scott Laws, Office of the Attorney General
Bradley Copenhaver, Principal, Meadowview Strategies
Kenneth Tambaschi, Republic National Distributing Company

Approval of Draft Minutes

Copies of the agenda and draft minutes from the December 20, 2023, meeting were distributed in advance to all Board members. Doug Zerbst moved to approve the minutes, and Commissioner Guthrie seconded; all were 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 February 29, 2024. As of this date, expenses total \$219,438. The Operations Manager's salary accounts for approximately 40% of the total. The remainder of the costs are related to new licensing fees, marketing, system hosting fees, VDACS administrative support, and banking fees.

Licensing Update

Seven licenses have been approved since the December 2023 Board meeting. The new winery members are DDD Farms LLC, Fallen Tree Vineyards & Farm LLC, Good Spirit Farm, Gramophone LLC, Old Farm Winery at Hartland, Perrow's Specialties Inc., and Valerie Hill Vineyard & Winery.

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

Stan Joynes asked for a refresher on the new application fee procedure. Ms. Saunders mentioned that previously, VWDC was submitting application fee payments to Virginia ABC, but application documents were slow to come in soon after. Currently, applications and application payments are not submitted to Virginia ABC until the winery has submitted all required documents to VWDC. Joseph Guthrie mentioned potential changes to the entity responsible for paying the application fee. Guthrie requested a report of related expenses broken down by individual fees to discuss the recommendation that wineries pay startup costs rather than VWDC.

Financial Highlights

Ms. Saunders reviewed the financial highlights for fiscal year 2024 as of February 29, 2024. Sales total \$3,516,465, cases sold totals 29,098, and transaction count totals 6,005.

The year-over-year review continues to show a decrease in wine sales. Ms. Saunders pointed out that while wine sales have decreased, there has been an increase in mead and cider sales and case totals. A large part of the increase in cider sales is due to a relatively new VWDC member, Cobbler Mountain Cellars. Cobbler Mountain will reach the 3,000-case maximum before the end of the 2024 calendar year.

Old Business

VWDC Board Member Terms

After reviewing wholesaler terms with Justin Bell, it was determined that the Board of Agriculture incorrectly appointed Mr. Zerbst's term. The Board of Agriculture updated Mr. Zerbst's seat term to end on June 30, 2027. Mr. Zerbst's last day as a wholesaler representative for the VWDC Board is today, March 21, 2024.

VWDC Bylaws & MOA

Mr. Bell has revised the VWDC bylaws, which Ms. Saunders circulated to Board members before the meeting. Mr. Joynes would like to make additional edits and will present them to Mr. Bell for final approval before the next meeting.

The existing Memorandum of Agreement (MOA) between VWDC and VDACS was signed into action on July 1, 2022, and it is okay to extend it for another year as the agreement terms are unchanged. Ms. Saunders will present during the June Board meeting for approval and motion to approve.

Policy Manual

Ms. Saunders reported that, in keeping with a request from the Board during the December 2023 meeting, Ms. Saunders worked with Flair Marketing to build a password-protected policy page on vwdc.org to provide a repository for current and historical policies and procedures of VWDC. Ms. Saunders presented this page to the Board. Mr. Bell, Mr. Joynes, and Mr. Guthrie all made recommendations for the policy page.

Federal Filing Requirements

Mr. Bell reported that he is working with an attorney from McGuireWoods with respect to federal reporting requirements that may or may not be applicable to VWDC; however, the attorney is taking some personal time to deal with an ill family member. Mr. Bell does not have an estimated date for completion.

VWDC Logo / Trademark

Mr. Bell shared that he is working with Robin McVoy in the Office of the Attorney General with respect to intellectual property matters of interest to VWDC, but she has other trademark cases in the queue before processing VWDC's logo trademark.

Bank fees/account

Ms. Saunders addressed the banking service fees currently incurred by VWDC and brought forth a resolution to lower this cost. Ms. Saunders shared that discontinuing the treasury lockbox service and bringing the check scanning in-house would lower the banking cost substantially. Check and money order payments would be processed via an approved check scanner on a remote deposit capture bank application.

Ms. Saunders introduced Dakota Rust, the newly hired Virginia Beer Distribution Company (VBDC) Operations Manager, and noted that he has experience with remote deposit capture applications and procedures. She explained that Mr. Rust would work to develop and document the procedure for processing these payments in-house. Mr. Rust explained that currently, there are checks that are mailed to VWDC rather than the lockbox address, and Ms. Saunders must mail them to the lockbox address, which delays the processing time. Mr. Rust shared that he would start processing those checks that are mailed directly to VWDC to start testing a procedure for VWDC to adopt.

Mr. Guthrie motioned to discontinue using the treasury lockbox service and use an in-house check scanner that is approved by Truist as compatible with Truist's remote capture capabilities. Doug Zerbst seconded this motion, which passed unanimously.

Ms. Saunders will purchase the necessary remote deposit scanner, work with Truist to transition, and communicate this change of address to the wineries, effective June 1st, 2024. The goal is to complete the transition by July 1st, 2024.

COD Transactions

Ms. Saunders discussed check-on-delivery (COD) transactions and mentioned that the recently created craft beer distribution, VBDC, will be charging a fixed per-transaction fee for all-{COD} payments. Ms. Saunders explained that VBDC will assess a \$5.00 per transaction fee and asked if VWDC would like to adopt a similar policy.

Mr. Joynes and Mr. Zerbst asked if \$5.00 was enough to persuade retailers to use Fintech or ACH. Mr. Bell asked how many transactions were COD. Ms. Saunders stated roughly 80% were COD, but she would need to double-check. The Board continued to pose questions and was concerned that a fee too small wouldn't move the needle, but a fee too large would affect the winery if the retailer decided not to purchase from

them because of the cost.

Mr. Guthrie mentioned that the Board has more questions and would like to make a decision when all members are present. In the meantime, Mr. Guthrie asked Ms. Saunders to research COD transactions and provide the Board with a report of her findings during the next Board meeting. Additionally, Ms. Saunders will confirm that charging a fee for COD transactions complies with Virginia ABC regulations.

New Business

SevenFifty / Provi

The VWDC's membership renewal fee of \$6,600 is due. We receive approximately 20 orders per year through this system. Orders are likely placed directly with a winery after the retailer views their catalog on the platform, but this data is unavailable.

Ms. Saunders brought this issue to the Board's attention and asked if the Board would like to renew this membership. The Board was unhappy with the low number of orders but shared that if the renewal fee were low enough to cover the cost of those orders, then VWDC would consider renewing. Mr. Joynes asked Ms. Saunders to work with the Wine Marketing Board to bring the renewal cost to \$1,000, and VWDC will renew.

Virginia Food & Beverage Expo 2024

VWDC will have a booth at the upcoming expo on March 27th, 2024. This event occurs every other year and is attended by retailers, wholesalers, distributors, food service representatives, and those searching for products from Virginia. Mr. Joynes mentioned that he will also be at the expo.

VWDC New Board Member Appointment

The Virginia Wine Wholesalers Association nominated Ken Tambaschi of Republic National Distributing Company as Doug Zerbst's replacement as a wholesaler representative member of the Board, and the Board of Agriculture voted this morning to appoint Ken to serve for the remainder of Mr. Zerbst's term, ending June 30, 2027.

Mr. Bell announced that he and his colleague, Scott Laws, met with the Secretary of the Commonwealth recently regarding onboarding new members to public boards. Mr. Bell and Mr. Laws will be undertaking a significant effort to train every Board member coming into an appointment and those currently sitting on boards. This training will predominantly cover topics related to FOIA conflicts and various other topics. Mr. Bell will provide more information as it becomes available.

VWDC Promotion Ideas

Mr. Joynes shared with the Board the idea of having a salesperson represent VWDC to regional ~~area~~ retailers for sales. Mr. Joynes and the Board decided not to pursue this idea at this time, considering there would need to be more than one salesperson for the entire state and no substantial, measurable outcomes.

Mr. Joynes suggested a working group to discuss ideas.

Public Comments

There were no public comments.

Next Meeting Date

June 26, 2024, @ 1:00 p.m.

Adjourn

Mr. Joynes adjourned the meeting at 2:40 p.m.

