

FINAL MINUTES

Virginia Winery Distribution Company (VWDC)
102 Governor Street
Richmond, VA 23219
September 14, 2021

This meeting was held in person with access electronically via WebEx on Tuesday, September 14, 2021, with all participants wearing facial coverings. A recording of the meeting is available:

[VWDC Board Meeting-20210914 1734-1](#) [View](#) Password - iV6JBx33

Call to Order

With a quorum achieved, Courtney Mailey called the VWDC Board meeting to order at 1:33 p.m. Ms. Mailey introduced herself for members attending the meeting via WebEx and asked the other Board members to introduce themselves as well.

Roll Call

Members Present in Person

Courtney Mailey, VWDC Chairman and Blue Bee Cider
Stan Joynes, Valley Road Vineyards
Doug Zerbst, RNDC
Bradley Copenhaver, VDACS Commissioner

Absent Member

Jay Colston, Virginia Imports

Others Present in Person

Carol Brown, VDACS
Robin Hill, VWDC and VDACS
Kendra Shifflett, VDACS

Others Present via WebEx

Kimberly Brown, Big Spoon Co.
Morgan Guthridge, Virginia Wine Wholesalers Association
Enrique Mendez, Big Spoon Co.
Tripp Perrin, Virginia Wine Wholesalers Association
Kate Pyle, Big Spoon Co.

Approval of Draft Minutes

Copies of the agenda and draft minutes were distributed in advance to all board members. Ms. Mailey asked if there were questions about the minutes. There being none, Ms. Mailey called for a vote to adopt

the minutes as presented. Stan Joynes moved to approve the minutes as presented. Doug Zerbst seconded. After the roll call for votes and all present members voting yes, the minutes were approved as presented.

Operations Report

Ms. Hill provided the Operations budget and expense report as of July 31, 2021. The report reflects the first month of the new fiscal year. The budget was approved at the June 8, 2021, meeting. Ms. Hill highlighted that expenses thus far total \$31,041 and noted the other than her salary, a large portion of the budget amounting in \$10,600 was for Virginia Interactive. The amount of \$10,000 is for a software development project completed in the prior year and \$600 is for webhosting. Thus far expenses have been minimal. Transaction fees totaled \$5,280 and \$555 in license fees were recovered this year. License fee renewal recoveries are ongoing through December as wineries reimburse VWDC for the payments of their annual licensing fees.

Licensing Update

Ms. Hill continued with the licensing update. Ms. Hill reported VWDC currently has 240 active licenses. Four wineries have been on-boarded since our last meeting. The new wineries include Honey and Hops Brew Works (Front Royal), Ninja Kombucha, Etopi Tej, and Everleigh Vineyards. We currently have 12 pending licenses for a total of 252 winery partners. Ms. Mailey asked a question regarding Ninja Kombucha's intention to sale alcohol and Ms. Hill assured the group that Ninja Kombucha does hold a winery license.

Financial Highlights

Ms. Hill provided financial highlights as of July 31, 2021. The report shows trends over the past five year period of Sales, cases sold, and transactions. Ms. Hill reported VWDC has sales of \$579,000 which represents an increase over this time last year. As of the date of the meeting, Ms. Hill shared VWDC had \$1,000,000 in sales and this is unprecedented for this time of year. VWDC sales comprised of 75% wine, 18% cider, and 7% mead. Sales by varietal include \$133,527 in Blend, \$102,824 in Apple, \$57,940 in other, \$38,694 in Chardonnay, and \$34,035 in Cabernet Franc.

The top sellers are True Heritage, Coyote Hole Ciderworks, CrossKeys Vineyard, Prince Michel, Bluestone Vineyard, Blenheim Vineyards, Showalters-Old Hill Cider, Cave Ridge, Magnolia Vineyards and Winery, and Barren Ridge Vineyards. Top buyer include Merrie Mill Farm (purchase from True Heritage), Well Hung Vineyard (purchase from Prince Mitchel), Messick's Farm Market, Firefly Cellars and Wegmans Charlottesville.

Ms. Hill directed the meeting participants to review the VWDC Sales by Winery. She advised the Sales by Winery Report is in alphabetical order not in order by sales dollars and shows the number of purchase orders processed by the wineries, the number of cases sold and total sales. Next, Ms. Hill reviewed the Sales by Case Report. Ms. Hill noted that some of the wineries are close to the 3,000 case limit. Ms. Mailey asked if case limits are based on a calendar year. Ms. Hill replied that cases sold are based on calendar year and was current as of September 10, 2021. Mr. Joynes asked about the case limit for The Winery at Bull Run who has almost reached their case limit. Ms. Hill explained that The Winery at Bull Run is contracted to make wine for Sunshine Farms. Comparatively, CrossKeys is strictly retail sales.

Ms. Hill asked if there were any questions. Mr. Joynes asked about VWDC's charter as it relates to CBD and Kombucha. Mr. Joynes inquired if the amount of alcohol in Kombucha is so small would Ninja Kombucha need a license for distribution. Commissioner Copenhaver stated that Kombucha may fall under food safety inspection at VDACS which does not require a permit but requires inspection. Ninja Kombucha may plan later to move to alcohol which will require them to have an ABC license and distributor. Mr. Joynes inquired whether an act of legislature would be required to have CBD in wine products and if ABC would be able to embrace that through regulation. Commissioner Copenhaver responded CBD right now can be an approved food ingredient if manufactured from industrial hemp. A number of establishments in the Commonwealth are currently producing it as a food ingredient. There is some gray area. Mr. Perrin stated that in terms of the legality of using CBD in alcohol, that is a TTB issue and until TTB acts, there is nothing the State of Virginia can do in terms of alcohol being infused with anything marijuana or CBD. Ms. Mailey asked if there were additional questions. There were none.

Approval of Board Procedure – Virtual Meetings

Ms. Mailey asked the members to review the Attorney Client Privileged/Work Product Protected document provided by the Board's attorney, Justin Bell from the Office of the Attorney General (OAG). Ms. Mailey asked if there were questions about the document. Stan Joynes asked if there was a policy document for the Board to approve outlined in accordance to the guidance document provided by the OAG. Ms. Hill stated she had not created an official policy but planned to add the OAG's guidance to the VWDC's operating procedures. Mr. Joynes asked if there was a written policy in conformance with the OAG's advice that other public bodies are using that the VWDC Board can vote to adopt. Commissioner Copenhaver stated that VDACS should have a written policy template because a number of VDACS boards have adopted the policy. Commissioner Copenhaver asked Ms. Hill if she knew of such a template. Ms. Hill stated there was no template at the time she planned this meeting. Commissioner Copenhaver indicated the Board of Agriculture adopted the policy and suggested the VWDC use their policy template. Ms. Shifflett shared that the Board of Agriculture's document is more of a resolution than a policy. After the discussion, Ms. Mailey called for a motion to have VWDC adopt the written policy pursuant to 2.2-3708.2C. Stan Joynes made the motion and Doug Zerbst seconded the motion. After the roll call for votes and all present members voting yes, the motion carried.

Old Business

Ms. Mailey asked about old business action items. Ms. Hill stated there were no old business items to discuss.

New Business

Enrique Mendez, Big Spoon Co. provided a recap of the services Big Spoon Co. provides to VWDC. Big Spoon Co. continues to manage the VWDC website, including updating the monthly blog post, email newsletters, and posting on the social media accounts. Mr. Mendez reported a dip in social media during the summer which is not unusual during this time of year. Mr. Mendez reported the open rate for the internal newsletter to the wineries is 50 percent. The consumer facing newsletter has a 25 percent open rate. Mr. Mendez added it is nice to see the wineries are engaged and using the form embedded in the newsletter to submit updates and information which provides content for the blog. There has been no downtime since the design of the website. All of the implementation tools are working.

Ms. Kimberly Brown, Big Spoon Co. shared Common House has been selected as the venue for the March wine tasting event. Big Spoon Co. has already saved the date for March 31, 2022. The event will be in the union hall along with the courtyard. The space can hold more than 300 standing including the tables. The venue already has a Virginia ABC license in their event space. They have held a wine tasting event with Chloe Wines in the past and they did a buy-back with the wineries. The wines can be bought back at cost. The wine buy-back is a logistical issue and Common House can work with Big Spoon Co. on that. Common House will provide tables and chairs. There is a non-refundable clause. The deposit is non-refundable but the funds can be used on a different date. Parking is available in nearby garages and The Common House will provide a list to attendees to make it easy for them to park and get to the event.

Ms. Hill shared VWDC wanted to move forward with the trade tasting. There was a plan to hold two tasting events then COVID happened. Winery survey respondents feel that the trade tasting event will be a great way to build their business. Ms. Hill indicated she wants to move forward with having the trade tasting at The Common House and is considering a customer facing event after the trade tasting.

Ms. Mailey asked if the consumer facing event would be by-the-glass. Ms. Hill responded VWDC and Big Spoon Co. talked about having a ticketed event but have not worked out all of the logistics for the consumer part of the event. Mr. Mendez added Big Spoon Co. is still looking for venues in Northern Virginia because wineries have requested it. Prices are higher in Northern Virginia. Common House in Richmond has built in traffic. A lot of the people who go to The Common House are business owners and the venue is centrally located.

Mr. Zerbst commented that with a public event there will be a lot of rules and regulations to follow. Ms. Hill explained she had spoken with John O'Connell a Virginia ABC agent for advice about licensing. He advised that details of the event need to be more concrete before engaging in further discussions. Ms. Hill will update the Board regarding information from future meetings with Mr. O'Connell. Ms. Mailey asked when the details will be nailed down. On behalf of Big Spoon Co., Ms. Brown responded the contract was just received from Common House and the contract needs to be reviewed. Once the contract is reviewed, a meeting will be set up with Common House beverage director and John O'Connell next week. Ms. Mailey advised the VWDC Board will meet again in December and there should be a solid plan by then. Mr. Mendez added Big Spoon Co. assured there will be a plan by then. Kendra Shifflett will be signing the contract with Common House. Mr. Zerbst asked assuming some sense of normalcy next year, is the date planned for the Virginia Wine Expo a competitive event. Mr. Mendez responded the expo is scheduled for February 26 to March 6, 2022. Mr. Zerbst referred back to the original question - if VWDC and Big Spoon Co. are planning a trade event or a consumer event and will some of the VDACS wineries participate in consideration of the timing of the Virginia Wine Expo. After some discussion, Ms. Hill advised that is a good point to take into consideration.

Mr. Joynes asked Big Spoon Co. about ADA compliance of the VWDC website. Ms. Hill responded the website meet the ADA compliance standards of the agency. Mr. Mendez, Big Spoon Co. added the VWDC website is continually monitored and updated when wineries are added and when the blog is updated in order to maintain ADA compliance.

Ms. Hill informed the Board that Annette Boyd had planned to attend the meeting but was unable to do so. Ms. Hill shared notes from Ms. Boyd with the Board members. Ms. Boyd provided information to Ms. Hill regarding VWDC's account/subscription with SevenFifty and VWDC receipt of a marketing grant to cover half the costs. Ms. Boyd provided data from SevenFifty that reflect sales with a breakdown by state and views. This information does not reflect which part is from VWDC but Virginia Wine Marketing office will have new wine promotions coming out next month - October Wine Month and there are spring promotions during the April-June window through SevenFifty that will bring retailers to Virginia Wine. When retailers click on the link on the Virginia Wine page, there is a list of Virginia wine products and over a thousand of those products are distributed through VWDC. When VWDC receives orders from SevenFifty, Ms. Hill receives an email and notifies the winery of the order.

Ms. Mailey commented since SevenFifty is a platform that is on the rise, and our sales are up significantly, it is possible that customers are reading about it on SevenFifty and then ordering from the usual person instead of clicking it through. Ms. Mailey suggested VWDC continue with SevenFifty a while longer. The money VWDC provides for SevenFifty is not that substantial, and the growth is noticeable. Mr. Zerbst commented it would be nice for SevenFifty to provide a breakdown of the products. He also asked what the minimum threshold is for a search appearance. Ms. Hill advised she would ask Ms. Boyd for more information and share that information with the group. Ms. Hill shared what she saw on her screen when she clicks on the SevenFifty site's October Wine Month promotion. It showed wines and selections offered by VWDC. There were over one thousand results. Ms. Kendra Shifflett asked if VWDC keeps track of orders that come through SevenFifty. Ms. Hill responded yes.

Ms. Mailey asked if there was more new business to discuss. Mr. Joynes asked to speak more about the virtual meeting policy to be sure the group has a definite process and ownership of how VWDC plans to follow up. Mr. Joynes advised that although it is good that the minutes reflect the adoption of the resolution, there needs to be an actual policy. Ms. Hill replied she would get a copy of the virtual meeting template used by the Agricultural Board and add VWDC specifics. Ms. Shifflett added it may be hard to come up with a firm policy because the virtual meeting policy is a moving target based on the General Assembly.

Ms. Mailey discussed VWDC's 3,000 case limit per calendar year. At least one winery partner is asking to change the limits. The board discussed the only remedy to having limits changes is through legislation. There are trade industry associations that specialize in that type of work, but not VWDC. Ms. Mailey added that she will be happy to follow up with the VWDC partner to let them know where VWDC stands. Commissioner Copenhaver asked how we communicate limits when we have new members and do we need to communicate that information differently. Ms. Hill explained new members are sent training videos and she also schedules time to speak to new members regarding how VWDC works and to address any questions or concerns. Ms. Mailey shared that when her cidery became a member of VWDC her onboarding information included an agreement she had to sign that outlined the case limits. She had a plan in case she reached the limits. Ms. Mailey added, an example of a winery who is cognizant of the case limits is Showalters-Old Hill Cider. Old Hill Cider sells to the case limit and has a backup distributor in place. Mr. Joynes asked the group if there is any question legally, taking Showalters as example, is there any conflict or question about what is planned for where a winery can self-distribute to 3,000 then sell more through another distributor. Ms. Hill explained when this situation does arise, she informs the wineries

that they have met the 3,000 case limit and the *Code of Virginia* does not allow more. Ms. Hill added she informs the wineries when they approaching the case limit and deactivates the winery in VWDC when the limit is reached. MS. Hill releases distributions rights if the winery requests the release.

Ms. Hill shared she emailed Mr. Roger Stevens about Ninja Kombucha while the meeting was in progress. Mr. Stevens informed Ninja Kombucha was permitted by TTB and licensed by ABC as a winery. The alcoholic beverage they are making and intend to distribute through VWDC is a hard Kombucha tea classified by TTB as a wine product. The product has about five percent ABV.

Public Comments

There were no public comments.

Next Meeting Date/s

Tuesday, December 14, 2021

Adjourn

Ms. Mailey adjourned the meeting at 2:28 p.m.