

Vermont Brewers' Association
Board of Directors Meeting 10/11/16
Rock Art Brewing Co. Morrisville, VT

Attendees: Amy Cronin, Sean Lawson, JP Williams, Matt Nadeau, Allen Van Anda, Brian Cook, Melissa Corbin, Matt Quinlan, Christopher Rockwood (by phone), Will Gilson (late).

Not Present: Steve Parkes

GABF:

- No expenses incurred as Sean was already attending except the \$200 booth fee. It was important to be there and promote Vermont beer.
- The booth constantly had a line. Breweries represented were Long Trail, Otter Creek, Kingdom Brewery, Frost, Stone Corral, 14th Star, Zero Gravity, Hermit Thurst and Lawson's.
- Ticket holders didn't necessary know the Vermont Brewers Association were there, but word of month helped
- Trapps and Magic Hat were there too, but had their own booths

Previous Minutes:

- Sean L motions to approve; JP seconds
 - o Unanimous approval

New Members:

- Farnham Ale and Lagers (formally Infinity Brewery now doing business as Farnham)
 - o All paperwork updated
 - o Still unclear as to where they are actually brewing and with what systems.
 - o Sean L motion to approve membership; Chris seconds
 - Yes: 5
 - No: 2
 - Motion Passes.

- Ten Bends Beer
 - o 1 bbl current system, looking for 3 bbl system
 - o Sight visit complete by Matt Nadeau. Matt said it was nice a set-up, good beer, and overall he liked the brewery.
 - o Paperwork complete. Verified by Melissa.
 - o Sean L motion to approve membership; Allen seconds
 - Yes: 6
 - No: 1
 - Motion Passes

Trivia Night Sponsorship:

- National event looking for \$10,000 support
- The concept doesn't align with the VBA's mission. Melissa to communicate back to the individual who proposed the idea.
- No motions, tabled.

Allied Trade Membership:

- There are many examples of functional allied members in current BA groups.
- Sean shared that other guilds have seen success with their allied trade membership
- Spoke with Sean Sullivan from ME as well as a few other guilds
- It seems like a promising way to grow the association
- Melissa informed the group that she started at the national level with Acacia Coast and received 5 examples of other guilds with allied trade memberships
- Melissa presented a draft of a system, based on what other guilds are doing. This draft is inline with with others have in place.
- The first page outlines the concept and benefits and the second page is a chart of benefits that a members would receive
- Stipulations:
 - o No distributors, violation of 3 tiered system. None of the other guilds that were looked at have distributors in their trade memberships and some states thought it might even be illegal. It will keep it clean to remove distributors from the list of possible allied trade members

- Sean L motions to approve, JP seconds
 - Unanimous in favor of motion
- In reviewing the list of business that could be considered for allied trade membership, it was suggested that banks should be considered. The group was asked to send Melissa any other ideas of businesses that should be added
- Questions surrounding method by which we approve or deny applications and should there be a list of groups we would not accept as members (i.e. religious groups). The list does not have to be determined at this meeting. The other thought was rather than excluding certain groups do we state what we would be looking for in allied trade members.
 - Must have direct business connection to VT breweries.
- Should we present this to the entire membership?
 - To avoid deep discussion at the Annual Meeting, survey members first
- People are ready to join with no affiliation ties.
- It was decided that some members may want to vote on this concept so it's important that they have a say and have some information prior to the annual meeting
- The pros of the concept is that it provides money to the association and gives brewers access to people that can help their business
- The only negative appears to be that someone could buy their way into the association that we don't want to be an allied member
- Melissa shared that there is currently \$12,000 in the budget and if we wait to move forward on this concept there will be budget implications
- Sean asked if the intention was to vote on the draft of the concept? And if there are businesses that want to give us money right now, maybe we do a soft launch of the allied tiered membership. Melissa was fine with this idea
- It was decided that the concept would be voted on by all members, but there would not be a discussion of the concept at the annual meeting. Any discussions can happen prior to the annual meeting.
- Survey the current membership for notions of acceptance or denial.

- Non-partisan, non-denominational.
- There was discussion around including bars and restaurants as possible allied tired member and that there are some breweries that are not a part of the association (and how should those breweries be handled).
- To exclude wholesale dealers, retail establishments, non-partisan, non-religious, and members must have some direct connection with the Vermont brewers. These groups would be sent out in the survey to see what the members have to say rather than sending a list of specific businesses
 - Motion to approve exclusions; Allen seconds
 - Unanimous in favor
- Motion to survey membership; Matt N seconds
 - Unanimous in favor
- It was decided that the document listing benefits and dollar amounts did not need to be sent to the entire association as it is a board level decision

2017 Proposed Dates for Board Meetings:

- Sean L motions to approve; conditionally on time to check
- It was discussed to maybe consider moving the Oct 2017 board meeting because its so close to GABF and many members of the board attend that event
- The date of the craft brewers conference should also be looked at
- Gregfest will be put on the December meeting agenda as the January meeting would be too late. It should also be shared with members that Gregfest is taking place in May.
- The 2017 annual meeting date should be added to list of board meeting dates

Committee Recommendations:

- Sean started out by saying that the committees have been more active than ever

- Kara from Simple Roots has done a great job chairing governance and would like to be the chair again in 2017
- The changes to the by-laws have to go to the members for a final vote. The purpose of updating the by-laws is to provide clarity
- By law changes to governance.
 - Clarify mission statement - good to present to members as is.
 - Board of Directors: size and composition.
 - 3 year terms
 - Concurrent terms allowed
 - Elected at annual meeting
 - Proposed: terms start January 1. Sean L motions to move term start to December 1; Allen seconds: unanimously approved.
 - Officers
 - Elected by BOD.
 - Elected at first BOD meeting following the annual meeting
 - Outgoing BOD members (those whose terms end following the annual meeting) do not have a vote.
 - Need 70% BOD participation for election
 - Sean motions to approve the above changes; Allen seconds: unanimously approved.
 - Executive Director
 - Prepare financial statements
 - Proposed change: “present financial statements to the president and treasurer by the 20th of each month”
 - Proposed change: “statements provided to the BOD quarterly”
 - Proposed change: strike “to him”
 - Proposed change: “a 2/3 majority of BOD is required for hiring or terminating an executive director”.

- All proposed changes unanimously approved
- Committees
 - Combine sections 1, 2 and 3
 - Unanimously approved.
- Finance
 - Unanimously approve changes as presented.

2017 Festival tickets

- Price increase to \$40, plus \$2 city fee.
- Chris motions to approve price increase, Allen seconds: unanimously approved.

Marketing

- Online passport function should be operational by annual meeting
- Passport will not roll out until website is complete.
- The hope for the annual meeting is that members can give feedback on it (the passport)
- Posters for each brewery promoting the passport program will also be created
- The launch date for the new passport program will probably be Jan. 1
- The wireframe for the website is complete
- There is a meeting tomorrow (10/12/16) to look at the revised findings with the website and brand
- Brand update to be emailed to Melissa by the end of the week (10/15)
- There was great coverage with the Boston Herald ad
- For the December board there should be something on the agenda about what festivals the VBA should attend
- At the December meeting the board should discuss membership fees and possibly look at a tired membership
 - Discussion about different costs whether you attend the festival or not. It was also mentioned you should be able to make four barrels of beer for the festival especially if you are on the passport. There are opportunities to collaborate with people if you can't make four barrels at your brewery.

- During Gregfest will there be money collected? And if so, could we look to donate a portion in Greg's honor

Financial Review

- Fiscal year 2017 assumes all festival sessions sell out at \$40.
 - o See above, price increase approved
- FY 2017 assumes: \$8,000 revenue from VT Beer Academy
- No winter festival revenue is built into FY 2017 budget. Agreed that the first winter festival will be in 2018.

Annual Meeting Agenda Review

- The group reviewed the agenda for the annual meeting. Melissa asked the group to network in the morning and make sure people feel engaged
- Trapps has been so generous to the VBA. The beirhall will be closed and they have given a great rate on rooms.
- \$8,000 in sponsorship was generated for the annual meeting. There may even be funds left over for next year
- During the meeting, at 3:30, there will be a call for committee participation rather than a discussion of who will chair the committees. This way there will be time for people to join the various committees.
- The President will appoint the committee chairs for the next term
- A reminder that the annual meeting is Alyssa's last day and she has donated more than 500 hours to the association. If people could please bring something (merch, beer) as a thank you for her it would be appreciated. Melissa also shared this with all members of the association

Review of Vermont Brewers Academy Concept

- Melissa asked do we want to explore the the educational piece as it's part of our mission statement. The other pieces of the VBA's mission are being met.
- How do we get the technical committee more involved?
- Allen mentioned that it feels like there is never enough time
- Even if there is one technical session being held for the brewers it would be an improvement from this past year

- Brew school includes brewer to brewer and brewer to consumer sessions
- Brewers to the public sessions could be part of Gregfest
- Motion to approve the concept is unanimous, details to be worked out
- Melissa to speak with Scott Shirley about how to engage this discussion at the Annual Meeting with the members
- The name Vermont Brewers Academy is a place holder, the board was asked if there were thoughts on other names - brew sessions was an idea.
- Whatever it ends up being called, for the public the name should be The Vermont Brewers Association presents (name here)

Open Discussion

- It would be great to have the association take a stance on the DLC being part of public safety without fear since the craft brew industry is a driver of economic force
- Can we craft these thoughts and ideas into something to take a stance

Legislative Committee Meeting – 9/26/16

Title 7 Survey Results & Discussion

Agenda Development for 2017 VT Legislative Session

Notes in Red from 10/11/2016 Board Meeting

Proposed changes to Title 7

Overall, the VBA Legislative Committee (VBALC) would like to see Title 7 simplified and cleaned to eliminate redundancy and conflict within the laws, and reduce interpretations of the law. Explicitly document what the laws should be.

The results of the proposed changes to Title 7 came from the survey issued to members of the Association and legislative committee discussions. The proposed changes were reviewed line by line and voted on by the Board during the October meeting

Sean and Melissa will be working on finalizing this document prior to presenting it to presenting it to the DLC

VBALC requests a similar review and clean-up of the regulations by VTDLC with input from Stakeholders (rules issued by VTDLC based on Title 7).

- Distribution: Discussion

- Allow smaller breweries to self-distribute

- What volume?
- What production limit?

The VBALC recommends that the VBA does not pursue a direct to retail avenue for brewers. Breweries have a path to direct retail sales through a separate wholesale dealers license.

Wineries have direct distribution and there have been lengthy discussion about direct distribution in the past. It does not make sense for the law to be amended because there are other options for brewers to pursue

- Franchise Law

- o VBALC recommends that VBA develop proposed language to allow the following (can refer to existing laws in other state. NYC a good place to start)
 - Small brewer carve-out. Allow brewers with 5% or less of a distributor's sales volume (dollar or gallonage?) to opt out of franchise for any reason. (e.g. switch distributors) with fair market value compensation (additional language will be added about compensation).

The question was raised about 5%. Would 5% benefit the larger breweries (this is a large percentage for distributors and it will probably not go over well with them). It was decided that if we start at 5% the compromise will probably be at 3% and in the end 3% is still a good number.

One piece missing in the NY law is it that it does not specify the amount – NEED CLARITY HERE, there was something mentioned about brewers and 3 to 7 times of the annual sale

- Add a good cause termination clause to existing franchise law (this language will be updated)

Currently, there is no termination for good cause, everything is in the distributors hands

Having a termination for good cause clause is the check and balance – once a brewer puts their beer on a truck they are onboard to sell it

All Board members were in agreement in changing the franchise law

- Licensing / Sampling

- VBALC recommends that VTDLIC establish uniform sample sizes and number of servings across all permits and license type.

There is uniformity among the brewers and the DLC around sample size and number of servings. In establishing set sample sizes and number of samples served it will help eliminate any confusion (for the brewers, the DLC, and the public).

Currently, 32oz is the total that can be poured

Let the DLC come back with something around sample size and number served and then the Association can make recommendations. Everything being proposed in this document will go to the DLC and then to the legislative session where it will all could be changed again

It shouldn't have to be the Association's position to tackle the number of pours and the ounces. There will be an opportunity to make recommendations when going back and forth with the DLC

Motion put forth to have a set sample size and number of pours by Sean Lawson, seconded by Allen Van Anda

- Manufacturers Licenses (subdivision 2(15))

VBALC recommends the following to VBA Board for discussion:

-Licensing: 4th class covers all except kegs sales direct to customer.

-Simplify to avoid need for 1st, 2nd and/or 4th class licenses with no change to tax structure. Include these types of activities on permit. Add language to 4th class license to include sale of kegs. **The final decision/recommendation was to add kegs to the 4th class license. A motion was put forth on this (adding kegs to the 4th class license) and it was unanimously approved**

- Simplification in language / clarity **so businesses are not carrying multiple licenses**

- Currently too much room for interpretation of the law

- Enforcement agents & staff are not clear on the laws they enforce

- Definitions of “malt beer” & “specialty beer” are outdated (relics of prohibition).
Eliminate or clarify. **This is outdated.**

ADDITIONAL NOTES from VBA Title 7 survey results

Proposed changes to Franchise Law

- Distribution

- Breweries deserve more latitude to separate from a distributor if deemed unsuitable by the brewery. Brewers should have immediate recourse through mediation to redress when a distributor is failing in its responsibilities.

- Small percentage of portfolio exception (3 – 5%)

- Wholesale

- Base cancellation payments on the last year’s sales to prevent a wholesaler buying a brand. Extend the honeymoon period to 3 years with no fault cancellation. (VT 5%)

- Brewery protection if wholesale organization is sold / liquidates (in regards to the rights to their brand being transferred)

- If annual sales or gross profit makes up less than 3-5% of the wholesaler’s annual sales or GP, the brewery is free to change wholesalers. If 3-5% mobility deal cannot be agreed on, a cap or “fair market value” should be established for transferring or purchase of brand rights

Laws that need clarification

- VBALC recommends expanding the new QA/QC law to allow for sampling for quality and education at all license types (not just manufacturers)

- Terminal gravity

- VBALC recommends: Remove from VT Law Title 7.

- Clarify or remove double fencing requirement for events.

Updates to specific rules / regulations

The DLC will not go for the removal of the double fencing, but Sean Lawson thinks the legislators will. This recommendation was unanimously approved by the Board

- Sampling

- Expand rules on educational and quality sampling for all licensees', not just manufacturers.

- Brewers must be able to test their beer before serving at festivals

- Enforcement officers

- Place officers under public safety supervision

- Enforcement agents should either lose their State Police rights or they should be held to the same standards and training as State Police

- If what an enforcement agent says doesn't sound right, brewers have the right to take the issue to the next level of enforcement.

- Permits / Licensing

- Clarification needed on volumes / quantities for various permits & licenses

- 4th class, special events, and festival / educational permits are ill-defined and irregularly enforced.

Proposed changes to permitting and/or licensing

- Licensing (Simplify this section)

- Consolidation for manufacturers in licensing: one application covers all

- Brewery tasting room license that allows for pint, sample, growler, and keg sales out of the tasting room under a single application.

- Food Requirements

- Easier path for smaller breweries to serve by the pint without needing to be a full restaurant. Potentially clarify on availability of food / partnerships with local restaurants & food trucks

Examples of laws or recent changes in other states that provide good examples / models for small brewers in VT

- North Carolina allows small brewers to self distribute

- New York state franchise law

Specific sections of Title 7 for the national BA legal team to review

- Franchise Law
- Entire text

Sections of Title 7 to stay in tact / remain unchanged

- Tied House Laws
- DLC activity & enforcement
 - Don't understand what this means

Additional notes from the meeting:

- This document will go right to the DLC and not to all members because the members of the Association were already surveyed (11 members responded)
- The Association can be presented with the results of the survey and then the recommendations that were determined (based on the survey and committee discussions)
- The DLC wanted a list of recommendations by 7/30/16 and the Association informed the DLC that an end of July deadline would not be possible
- The DLC asked that the wineries, distilleries, and brewers to put together one list
- It became clear that what the distillers wanted is different from what the brewers wanted
- There was no response from the Vermont Grape and Wine Council