

Vermont Brewers Association

Board of Directors Meeting

Conference Call

April 4, 2018

12:15 - 1:45

Present: Avery Schwenk, Marty Bonneau, Anne Linehan, Paul Sayler, Dan Sartwell, Marly Thompson, Melissa Corbin, James Branagan, and Dan Ukolowicz

Absent: None

- VBF Killington debrief
 - Numbers are still being tallied, but they're looking good
 - Approximately \$13,000 in profit
 - Just under 4,000 people on site
 - Positive feedback from brewers and attendees

- Kudos to Garin Frost for his work as Treasurer and board member
 - He has recently resigned from these positions, and so there is a vacancy
 - Looking for board volunteers for Treasurer
 - Could also look to Finance committee members

- Discussion regarding current status of franchise law bill and Government Affairs committee recommendations
 - Bill recently passed the House, now on to the Senate
 - Four major issues to cover, as outlined by the GA committee:
 - Barrels produced per year standard
 - Current House bill defines "small brewer" as one producing not more than 50,000 bbls/year *and* being less than 3% of their distributor's portfolio
 - The GA committee recommends that a "small brewer" shall be defined as producing not more than 300,000 bbls/year
 - Percentage of portfolio standard
 - Shall we advocate eliminating this standard altogether?
 - This is the GA committee's recommendation
 - Shall we advocate for changing the legal language in the definition from "and" to "or"?
 - Definition of compensation
 - The current standard is the average annual gross profits earned by the wholesale dealer times 5
 - The GA committee would prefer 2 or 3 as the multiplier

- The multiplier of 5 would only be applicable during the transition period, though it may establish precedent for future contract negotiations
 - Termination without cause
 - In the current version, termination without cause for existing brewery contracts would not be an option during the transition period, which extends from the bill's passage up to July 1, 2022
 - However, contracts entered into after January 1, 2019 would have that option
 - The GA committee recommends that all breweries in existing contracts should have the option to terminate without cause during the transition period
- FYI: Vinous producers were eliminated from the bill before it passed the House
- Further discussion
 - Barrelage definition standard
 - The VBA originally advocated for 300,000 bbls/year as the cap
 - Largest brewery in Vermont produces just over 200,000 bbls/year
 - Percentage of portfolio standard
 - If we can't have this eliminated, we could possibly have the percentage of portfolio standard be applied across a distributor's portfolio, to include other products besides beer, and across any affiliated companies owned by the distributor
 - This provision makes little sense, as it's difficult to gather this information, and portfolios could be so easily manipulated to create different percentages
 - Definition of compensation
 - 5 is too high, but shall we offer a lower number, like 2, to begin the negotiations and end up somewhere in the middle?
 - If we ask for 2 as the multiplier, that may be an indefensible position, as there's little precedent for a number that low
 - Though as with all negotiations, this may be the best tactic to end up where we would like to be
 - No cause termination
 - The GA committee and the board are in agreement that termination without cause should be an option for breweries with existing contracts during the transition period
- Dan Ukolowicz moves that the board endorse the Government Affairs committee recommendations: 300,000 bbls/year should be the cap; percentage of portfolio should be eliminated as a definition standard; 2 should be the multiplier put forth in negotiations; and all breweries in existing contracts should have the option to terminate without cause during the transition period.

- Seconded by Dan Sartwell
 - Vote: All in favor
- Wrapping up
 - Our next board meeting will be in Burlington at the VBA offices on March 17
 - Please consider in the meantime whether you'd like to volunteer for the position of Treasurer
- Meeting adjourned