

OREGON WINEGROWERS ASSOCIATION
MEETING MINUTES
JANUARY 15, 2008
MCMINNVILLE, OREGON

Attendees: Harry Peterson-Nedry (President) Kara Olmo (Vice President), Steve Girard (Secretary), David Adelsheim, Pat Dudley, Earl Jones, Lee Mankin, Sam Tannahill.

Staff: Ted Farthing (Executive Director), Sara Gourley, Jesse Lyon, Gary Conkling, Katie Stoll, Hannelore Buckenmeyer, Stephany Boettner

Guests: Ed Glad, Republican Candidate for District 24 House Seat; Bill Sweet and Donna Morris from Winderlea; Pat Stotesbery, Ladera Vineyards and Board member of Napa Valley Vintners

Call to Order

Peterson-Nedry called the OWA meeting to order at 9:13am.

Minutes Approval

Girard moved Jones seconded to approve the minutes of the November 14, 2007 OWA Board meeting. Motion passed unanimously.

Financials

Farthing presented the attached Profit & Loss statement and Balance Sheet. The financial situation of the OWA is more promising but still a long way from being self-sustaining. We continue to pay OWA professional staff at their typical rates.

2007 Legislative Successes

Lyon summarized the 2007 legislative success which included:

- Passing of Measure 49
- Rural Reserves (SB 1011)
- Direct Shipment (HB 2171)
- Self-Distribution (HB 2677)
- Warehouse Privilege (HB 2487)
- Temporary Sales Privilege (HB 2168)
- Surety Bonds (HB 2486)
- Blocked Wine Taxation
- Blocked Corporate Minimum Tax
- Increased the exemption for Inheritance Tax
- Expansion of Oregon's Iconic Bill Bottle
- Diplomatically blocked proposal of making Pinot noir Oregon's state wine
- Secured state funding for Oregon Wine Institute
- Viticultural Area signage
- Renewable energy

For details of these successes, please reference attached document. The OWA legal and legislative counsel were successful in getting things passed during the 2007 legislative session, now the challenge is getting them implemented.

2008-2009 Legislative Agenda

Conkling presented the 2008-2009 legislative agenda which included:

- Immigration & Workforce
- Land Use Policy
- Bottle Bill
- Taxation
- Regulatory
- Research Funding

Please reference the attached document for details of these issues.

TTB Proposals

On November 20, 2007 the Alcohol and Tobacco Tax and Trade Bureau (TTB) issued notices seeking public comments on two rulemaking proposals: Notice 77 and 78. The proposals ask that the TTB be the authority if a wine label can reference the AVA or sub-AVA; and the use of brand names with geographic and or AVA names. The proposed rules are attached. Guest Pat Stotesbery joined via conference phone and explained Napa Valley's position on the rulemaking proposals: keep the rules the same as they have been for the past 20 years and oppose notices 77 and 78 entirely. Fine tuning the notices will blur the wine industry's message of opposition since no two organizations want precisely the same regulations.

Adelsheim moved Girard seconded that the OWA oppose rules proposed by the TTB in notices 77 and 78 for three reasons:

1. Deception of consumers
2. Hamper the ability of wineries to honestly label their wines as to origin
3. TTB already has the authority to properly regulate the AVA system

Discussion: At this time keep the message to the TTB simple by opposing notices 77 and 78; later the OWA could follow up key associations and suggest specific recommendations. The Board spoke about the importance of educating the industry about the implications of using geographic references/locations in a brand label.

Motion passed unanimously.

Nomination Discussion

Stoll led the Board through a discussion of industry awards and nominees. Awards will be presented at the 2008 Oregon Wine Industry Symposium.

Peterson-Nedry adjourned the OWA meeting at 12:57pm.

Oregon Winegrowers' Association
PROFIT AND LOSS BUDGET VS. ACTUAL
July 1, 2007 to November 30, 2007

	<u>Jul '07 - Nov 07</u>	<u>Budget YTD</u>	<u>Budget</u>
Ordinary Income/Expense			
Income			
4010 - Membership Dues	33,344	26,000	148,000
4020 - Oregon Viticulture Publication			
Total Income	<u>33,344</u>	<u>26000</u>	<u>148,000</u>
Expense			
6100 - General Administrative	1,982	2,200	9,000
6200 - Meetings/Entertainment/Travel	756	1,570	5,000
6300 - Rent	2,750	2,830	7,000
6500 - Payroll Expenses	22,725	22,500	54,000
6600 - Legal Fees	18,051	15,000	38,000
6700 - Lobbying	12,521	16,665	40,000
Total Expense	<u>58,785</u>	<u>60,765</u>	<u>153,000</u>
Net Ordinary Income	<u>-5,645</u>	<u>-22,232</u>	<u>-5,000</u>
Net Income	<u><u>-5,645</u></u>	<u><u>-22,232</u></u>	<u><u>-5,000</u></u>

Oregon Winegrowers' Association
PROFIT AND LOSS BUDGET VS. ACTUAL
July 1, 2007 to November 30, 2007

Ordinary Income/Expense

Income

- 4010 - Membership Dues
- 4020 - Oregon Viticulture Publication

Total Income

Expense

- 6100 - General Administrative
- 6200 - Meetings/Entertainment/Travel
- 6300 - Rent
- 6500 - Payroll Expenses
- 6600 - Legal Fees
- 6700 - Lobbying

Total Expense

Net Ordinary Income

Net Income

12:09 PM

12/17/07

Accrual Basis

Oregon Winegrowers' Association
Balance Sheet
As of November 30, 2007

	<u>Nov 30, 07</u>
ASSETS	
Current Assets	
Checking/Savings	
0300 · Umpqua Checking	24,250
Total Checking/Savings	24,250
Accounts Receivable	
1200 · Accounts Receivable	6,966
Total Accounts Receivable	6,966
Other Current Assets	
1499 · Undeposited Funds	800
Total Other Current Assets	800
Total Current Assets	32,016
Fixed Assets	
2200 · Equipment & Furnishings	4,625
2250 · Accumulated Depreciation	-3,974
Total Fixed Assets	651
TOTAL ASSETS	<u>32,666</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2001 · Accounts Payable	6,315
Total Accounts Payable	6,315
Total Current Liabilities	6,315
Long Term Liabilities	
2500 · Legal Defense Fund	80
Total Long Term Liabilities	80
Total Liabilities	6,395
Equity	
3000 · Retained Earnings	51,712
Net Income	-25,441
Total Equity	26,272
TOTAL LIABILITIES & EQUITY	<u>32,666</u>



Oregon Winegrowers Association 2008 Legislative and Regulatory Agenda

Draft for preliminary approval

2007 Review of Successes

Land Use



Measure 49 Engaged with legislative leaders working on a modification of Measure 37, which threatened to allow subdivisions next to wineries and vineyards. Inserted language that limits development next to existing and future vineyard land. After a campaign in which winery and vineyard operators made significant contributions, Oregon voters overwhelmingly approved Measure 49, which went into effect in Dec. 2007.

Rural Reserves (SB 1011) Lent support to legislation advanced by Metro that allows the regional agency to combine designations of urban reserves with rural reserves, which are intended to offer longer, stronger protection for valuable farmland. Metro sought authority for a new approach to urban expansion that modified the current system's heavy reliance on soil type to make land-use designations. Under the system contemplated by SB 1011, valuable farmland, including vineyards, can be included in rural reserves, regardless of soil classification. Metro hopes to implement this new process in its 2009 round of housing needs analysis and urban expansion.

2007 Review of Successes, cont.

Regulatory



Direct Shipment (HB 2171) Responding to a U.S. Supreme Court decision that put a constitutional cloud over the reciprocal state arrangement, pushed successfully for legislation creating a direct shipment permit system similar to California and Washington.

Self-Distribution (HB 2677) Also in response to the U.S. Supreme Court ruling, introduced legislation that grants out-of-state wineries the same privilege as Oregon wineries to self-distribute their wine in the state. The legislation also clarifies that wineries may use common carriers to deliver their wine to restaurants or other retail outlets with an OLCC endorsement.

Warehouse Privilege (HB 2487) Persuaded lawmakers to adopt legislation that clarifies that warehouse licensees can provide full service to persons holding a grower sales privilege license. This eliminated an unintended oversight that prevented wine warehouses to fulfill direct shipment orders for vineyard operators selling wine under their own label.

2007 Review of Successes, cont.

Regulatory



Temporary Sales Privilege (House Bill 2168) Worked with the OLCC on language that clarifies organizations consisting primarily of Oregon wineries and vineyard operators qualify to obtain a temporary sales license. The direct shipment bill was worded to grant holders of temporary sales licenses the privilege of selling and sending wine directly to consumers in Oregon and other states.

Surety Bonds (HB 2486) Guided legislation that gives the OLCC discretion to excuse small Oregon wineries from annual surety bonds, waiving the requirement for wineries that haven't paid the privilege tax and aren't likely to incur the tax, saving a small winery the cost of the bond.

2007 Review of Successes, cont.

Taxation



Wine Taxation Blocked increases in Oregon beer and wine taxes. Convinced beer tax supporters it was unwise to pursue an increase in the state's wine tax. Negotiated with legislative leaders to set aside an amendment to enable individual counties to impose a local wine tax to generate funds for local roads and law enforcement.

Corporate Minimum Tax Blocked approval of gross receipts tax on Oregon businesses. A change in the corporate minimum tax was originally tied to creation of a state rainy day fund, but the minimum tax was dropped because of strong business opposition. Follow-up efforts to impose a New Hampshire-style value-added tax on Oregon businesses also failed.

Inheritance Tax Supported a successful effort to increase the exemption from state inheritance tax to \$7.5 million for Oregon businesses based on natural resources such as farms. The 2008 supplemental legislative session is expected to clarify aspects of the inheritance tax proposal.

2007 Review of Successes, cont. Research



Oregon Wine Institute Worked closely with Governor Kulongoski and House and Senate budget leaders to preserve more than \$1 million in state funding that the Governor placed in the appropriation for higher education. The state contribution is intended as matching money for a wine industry contribution that will create an institute at OSU dedicated to the advancement of Oregon's grape and wine industry.

2007 Review of Successes, cont.



Bottle Bill Expansion of Oregon's iconic Bottle Bill was at center stage during the 2007 session, with agreement to add bottled water to the state's 5-cent redemption list and create a task force to explore further expansion or other alternatives. OWA won early agreement from Bottle Bill expansion exponents not to include wine bottles.

State Wine. OWA diplomatically deflected a proposal to make Pinot noir the Oregon state wine. Carefully explaining the OWA strategy to unify state wine marketing efforts, OWA managed to convince backers to withdraw the bill.

2007 Review of Successes, cont.



Viticultural Area Signage. OWA secured a commitment from the Oregon Department of Transportation (ODOT) to amend its rules to create viticultural area signs under the state's historic and cultural sign program. These brown highway signs may be used by designated Oregon viticultural organizations to advertise their region to motorists. The commitment came as part of a larger debate over how ODOT regulates highway signs pursuant to a court ruling prohibiting the agency from regulating signs based on content.

Renewable Energy Played a supportive role in passage of legislation that directs Oregon utilities to meet future load growth with renewable energy resources such as wind, solar, biomass, geothermal and wave power.

2008-2009 Legislative Agenda Immigration & Workforce



- Need to craft industry position
- Special session – testify on drivers license
- Oppose Arizona-like employment law
- Work actively through OREWIC



2008-2009 Legislative Agenda

Land Use Policy

Big Look

- Will be revived in 2008
- Balance urbanization and agriculture
- Metro plan as template?

Measure 49

- Likely continuing complaints and perhaps some legal challenges

Winery resort

- Underlying issue of where to build resorts remains
- Proactive stance in support of properly designed and sited resorts

Vineyard trust

- Tie down future vineyard land, blocking development or other farm use
- Buy development rights or actual property
- Hold in trust until a qualifying vineyard operator commits to cultivation
- Funding

2008-2009 Legislative Agenda

Land Use Policy, cont.



- Vineyard homestead siting
 - Recognize investment in farming activities vs. waiting for income from farming
- Spray drift
 - Especially 2-4-D and other phenoxy herbicides
 - Restrictive, seasonal rules in vineyard regions?
- Siting "stand-alone" tasting rooms in EFU zones
 - Consider associated Farm Stand standards
- Weddings and other special events at wineries in EFU zones
- Groundwater
 - Staff to create report detailing current regional groundwater conditions

2008-2009 Legislative Agenda

Bottle Bill



- Need to craft industry position
- Work with taskforce

2008-2009 Legislative Agenda Taxation



- Oppose wine tax increase
- Work with tax reform taskforce

2008-2009 Legislative Agenda Regulatory



- Central warehousing
- Protect self-distribution
- Wine storage – tax liability (FedEx, UPS “forms”)
- Direct shipping – rules (next day shipping)
- Financial assistance / linking to partner destinations, restaurants, etc.

2008-2009 Legislative Agenda

Research funding



- Continued funding for Institute
- State funded research

OWA Role in Supply Side Development



When appropriate, the OWA will advocate for a regulatory climate that encourages growth and investment of small-scale vineyards and wineries that are in line with the character of the Oregon wine industry.

Infrastructure



- Tourism
 - Encourage high-end amenities on non-EFU lands
- Signage
 - Freeway: Brown signs potentially pointing to AVAs (state regulated)
 - Highways: County loop, scenic drive, tourism (county regulated)
 - Roads: Blue signs

Funding Mechanisms



- Auxiliary funding vehicles
 - 2008: Shipper, online auction, 50% Symposium net, Symposium raffles
 - 2010: Auction
- Dues – no increases for 2008
- Directors need to be recruitment leaders
- Legacy endowments, etc.

Feb Board Mtg. Agenda



- Vineyard development standards
 - Summarize findings from Dec 13 mtg; develop plan