

SYNDICATE WINE LLC Oregon Benefit Report 2022-2023



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Description of The Business

Syndicate Wine, LLC dba Syndicate Wine Bar is a multi-faceted business, offering hospitality and dining services, a brick-and-mortar bottle shop, and subscription-based wine club.

As a community fixture in the Beaverton, Oregon community, we are the only establishment within the greater Westside operating primarily as a wine bar. Several area businesses offer a retail bottle shop, but without a focus on high quality or intentional inventory. Additionally, outside of a handful of local and actual wineries, we are the only wine bar that maintains a subscription-based wine club (currently at 175 members and growing steadily).

Mission Statement

The term, "syndicate" describes a group of people united around a common cause. Our passion is to curate and develop an intentional, high-quality library of wines and education for our audience, whether as dine-in wine bar customers, retail bottle to-go customers, or our growing wine club membership.

Legal Business Structure

Syndicate Wine, LLC, dba, Syndicate Wine Bar was established in February 2019. We are an Oregon Benefit Company, designated with this company status through the State of Oregon's Secretary of State's Office. Syndicate is an LLC with two owners, Angela Anderson as 99% owner and David Anderson as 1% owner. We are designated as a Partnership for our Limited Liability Company and file taxes as a pass-through entity, owners only deriving K-1 income, no income as wages other than tips earned through floor service.

Principal Owners



The two owners, Angela Anderson, MBA and David Anderson, are a husband-and-wife team with decades of combined experience running and managing successful businesses.



Angela brings a specialty in Organizational Dynamics and Operations along with 20 years' experience in managing companies of all sizes and sectors. She assists in creating efficient systems that lead to lower operational costs and higher customer engagement. Angela has an MBA in Organizational Psychology and a Bachelor's in Communications. Angela specializes in operations and finance, helping business owners understand their specific revenue cycles, as well as areas of greatest opportunity in business structures and fiscal responsibility. She also uses her experience in management to unify and unite teams into common goals and structures so that everyone can operate in a concise direction and mission.



David has a Bachelor's Degree in Art and International Studies Minor from Linfield College, and has extensive experience working with major global businesses, consulting companies, and government agencies. For 20 years, David worked as founding owner of Canvas Host, an Oregon website hosting and design agency to build and manage websites for respected brands such as Oregon Department of Justice, Hot Lips Pizza, and Linfield College, as well as numerous Oregon wineries. David is also a certified sommelier, having earned WSET III with Merit credentials from the Wine & Spirits Archive in Portland, Oregon.

Collectively, their participation in the wine industry began in the mid-1990's. Angela started as a hostess at Augustine's Restaurant while David started with the Linfield College Catering team, hosting special events throughout McMinnville, Oregon. These events included the annual International Pinot Noir Celebration (IPNC). From these experiences, we each learned the intricacies of customer service, food, and hospitality centering around wine and fine dining.

In 2002, we built OregonWines.com, an industry service that connects wine lovers with Oregon wineries. This website is a living reference for information about Oregon's wineries, wines, and viticultural regions. We recently overhauled the site with multiple new features including customized wine tours, tasting notes, and calendars of events.

Our commitment to sustainability runs deep, and we have actively sought to integrate the balance of people, planet, and profit throughout business.

Since 2013, we have focused our combined passions into hyper-local networking groups and events centered around sustainability. Our lessons learned, and support received from the Oregon benefit corporation community, are two reasons we launched Syndicate Wine Bar. The time was right to unite our communities, to grow our networks in an inclusive and educational manner and center it all around fantastic wine.

Combined with our experience in the wine industry and business management, we have sourced experts from all professional levels of the service industry to bring together what has become Syndicate Wine Bar.

Our goal, moving forward, is to continue building on the success of our three business lines.

Products & Services

Product And Service Summary



Syndicate Wine Bar provides customers with a chance to purchase and taste wines from around the world. We do this by creating a dining space that is approachable, safe, and understands the complex nature of dining during a pandemic.

We have over 250 labels in our current inventory from around the world, with the goal of expansion to 450-500 labels. Our library is broken up into three categories (Oregon, Regional, and International). We allow customers to purchase wines through dine-in, take-out, or delivery. Syndicate Wine, LLC also has a Wine Club that gives members two bottles each month through a subscription model.

Benefits To Customers

Wine is a complex beverage. It contains many facets and complexities that show through in appearance, smell, and taste. Each wine is different and can vary by vintage (from year to year). Through the constant study of winemaking, topography, geography, and climate, students of wine can explore the world without leaving Syndicate Wine Bar. This experience is what Syndicate Wine Bar highlights and specializes in. We want our customers to feel free to drink a beverage that they are familiar with, then explore something new.

Customers also benefit from the culture at Syndicate Wine Bar as we pair wines with cuisines from our surrounding restaurant partners. They can explore different menus from around the world while also drinking wine purchased at Syndicate Wine Bar. Our menus give direct food pairing recommendations for items on our neighbors' menus so that customers can get new ideas on what to eat for each select beverage.

Though Syndicate Wine Bar sells alcoholic beverages, our team understands the implications and regulations put forth by the Oregon Liquor Control Commission. We uphold these standards and mandates and encourage responsible alcohol consumption. Our team keeps our licenses current but also seeks out additional training in alcohol sales and monitoring quarterly.

Sustainability

As a dining establishment, sustainability is extremely important to us. The greatest area of opportunity we see in this regard is managing and reducing our waste impact.

There's no question that the pandemic set the industry backwards: Covid protocols pushed hospitality providers to avoid unnecessary additional touches on anything used

to prepare, present, or consume food or beverages. This meant opting for single-use plastic or otherwise disposable cups, plates, and silverware, not to mention a giant rise in the use of to-go or storage containers during dine-in shutdowns.

During the pandemic, Syndicate shut down all inside food service. We embraced a model whereby we would provide guests with drink service and permit outside food. This went to the extent of encouraging diners to bring their own, home-made charcuterie, something they still do to this day. Additionally, we “partnered” with many neighboring restaurants in our Beaverton dining district, as we invested in a large outdoor seating area, and our mutual guests loved pairing our wines with foods from down the street.

One of the downsides of this “partnership” is that we also became the garbage receptacle for take-out containers, which easily overran our own waste in our small, 1-yard dumpster. We regularly would see it near overflowing with pizza boxes and food containers from neighboring brands. We recognized the impact we were incurring as a result of all this take-out food being brought into our location.

Since 2Q 2022, we have re-opened our kitchen, and are gradually encouraging guests to dine in with us directly. We have seen a considerable reduction in take-out food containers at dine-in guest tables, as we have continued ramping up our dine-in menu offerings. The waste stream couldn't look better: That same, 1-yard dumpster is rarely full now. We estimate at least a 50-60% reduction in overall waste as a result of this shift.

Another component of waste is in lost food product from over-purchasing for each of our locations. Thankfully, with a diverse menu that sees the same product used in multiple menu items, food waste is practically non-existent. We do not over-purchase product for either location, but instead employ regular trips to Costco, U.S. Foods, and Trader Joe's each week as we “top up each location's food product inventory. We are gradually shifting all of this over to a more automated, food service account through Sysco, which will further reduce our travel time and fuel costs as we will now be able to have weekly deliveries to each location, which is plenty of time to use through product before it reaches the expiration date.

Regarding wine-related waste, we do have quite a bit of cardboard and glass recycling processed each week. We regularly receive pressure from wine vendors that we should consider putting wine on tap, as it is considered a more environmentally friendly approach to reducing glass waste. We feel strongly about the quality of wine, and from our direct experience speaking with industry colleagues that do offer wine on tap, it's not worth the cost of lost quality and guest experience.

Finally, as we have shown throughout our business lifecycle of three years, we try to re-use everything! Very few items that are put to use in our shop, whether as visual elements, dining tables or wood slabs or storage units, is ever thrown out. We simply find a new place and purpose for it. We have since grown an eclectic series of custom-built

lights, display stands, wine retail shelves, and all sorts of creative art pieces that continue to fill the walls of both Syndicate locations. It is just one more way we are employing wine-related elements like old barrel ends and staves into the art, culture, and presentation of our dining space, as we continue evolving it into a more intimate experience.

Management Structure

Key Employees & Responsibilities

As primary owners and operators, David and Angela Anderson perform most major decisions and operating functions for the business. That said, we maintain a team of trusted and highly skilled employees that can run much of the business when we are not present. This team includes:

Outside Contractors and Support

We are 100% internally operated and managed. Our business does rely upon vendors for various products and services that support core business functions. This includes Sage for bar towels, toiletry, and related paper products; American Veterans Security, which provides security and camera monitoring systems; And a host of wine distribution vendors, including Republic National Distribution Company, Galaxy Wine Company, Mitchell Wine Group, Oregon Brand Management, Casas Bruno, and Maletis.

We maintain strict expectations for quality and timeliness of delivery of services and products. We have several times asked for replacement representatives of certain wine vendors that did not meet our time or professional service requirements. By maintaining quality connections and relationships, we are better positioned to ensure continued delivery of services and products to our own customers.

Mentors and Advisors

As an Oregon Benefit Company, Syndicate Wine, LLC maintains an advisory team of outside and trusted professionals. Some of these individuals are advisors we connect with on a scheduled basis throughout the year; Others are accessible on an as-needed basis. All of them are highly respected and trusted and have consistently provided candid and detailed advice that we have incorporated into the business to its success.

Tom Hering

Tom Hering owns and operates Benefit Corporations for Good, the only Oregon-based certifying body for Oregon Benefit Companies. Through this vehicle, they inspire and coach business owners on how to balance people, planet, and profit. Their tested techniques provide business owners a sounding board and advisory stance to make sure the principles of Oregon Benefit Company designation are followed through in daily operation.

<https://benefitcorporationsforgood.com/>

Diego Diaz, Owner, Diego Diaz Photography

Diego is an accomplished photographer managing projects for the City of Beaverton, Portland Timbers, Portland Thorns, and many commercial builders. He brings a calmness to photography that puts even the most camera-shy individual at ease. Diego has a talent for catching the emotion of events in a way that shows the passion behind a cause. You will find many of his photos gracing the electronic mediums of the

Portland Tribune, Associated Press, and The Oregonian, as well as many of the pictures encompassed on this website.

<https://www.diegogdiaz.com/>

Advisory Panel



Roger Sharp

Roger is our Site Lead for our Newberg location. He has over 2 decades of experience creating and managing teams. Along with his background is as an accomplished religious leader, he brings a high level of customer service and nurturing to our Newberg location. His skills in communications, conflict management, organization, and hospitality make him the ideal fit for this very small community built on relationships.

Roger also is our sounding board for everything Newberg. Roger and his wife MaryJo moved to Newberg to work full-time managing this location and becoming members of this community. He gives us feedback on what the guests are appreciating, as well as needing in our growth of our second location. In the last year, Roger has also been the voice of the entire Newberg team as we have struggled with our subtenant arrangement and how to move forward.

Roger has been offered ownership shares in the company to start the beginning of 2023 to increase his voice and vesting in our future of Syndicate Wine, LLC.



Kris & Matt Brady

Kris & Matt Brady have been a sounding board for both of us in 2022 as we have had our fair share of challenges. What started off as dedicated Club Members has expanded into a deep and thoughtful friendship. Kris specifically joined our team in March 2022 to assist with Human Resources and Compliance. From there, she and Matt have secured their OLCC Servers permits and have filled in from time to time when our locations have gotten busy. They also manage our Registration and Security for our Block Parties.

On a larger picture, we have gone to Kris & Matt when we have been overwhelmed and not sure which direction to turn for challenging Syndicate situations, specifically Newberg and the construction issues with Beaverton.

Kris Brady brings over 30 years of experience in Human Resources, managing international companies with multiple locations. She also manages the finances, taxes,

and compliance for a non-profit organization, traveling to Africa to teach underrepresented communities skills that could help them reach self-sufficiency.

Matt Brady is a full-time educator in First Aid/CPR and conflict management. Matt spent decades as a Police Officer and Emergency Responder. He knows what individuals under the influence present as and is willing to step in and address any security or alcohol issue with utmost professionalism and confidence. He has led our team in several issues, teaching us along the way what to look for and how to react.

Kris & Matt Brady have also been offered ownership shares in Syndicate Wine, LLC in the future, which will increase their involvement and stake in the positive direction of the company.

Current Locations/Revenue Streams

Beaverton, OR

Our flagship location in Beaverton, OR, opened in July of 2019 with a 900 square foot dining room and wine bar. This location became a “hot spot” in the growing downtown Beaverton dining scene, with sometimes a line at the door to get in. Within the first 6 months, we became known as the main source of wine variety in the Beaverton area.

In March 2022, we expanded this location. The original 900 square foot area was turned into a Bottle Shop or retail space, and an additional 1600 square foot dining room was built in what was our previous neighbors leased space. With a total of 2500 square feet with an 11-seat bar in the middle, we were able to section off this location into retail and restaurant for ease of our guest experience.

In July of 2022, we had to dismantle our large outdoor dining tent in exchange for a smaller fenced in patio, seating half of what we had for outdoor occupancy but giving us more security and durability in the volatile weather seasons.

With these changes, our indoor occupancy grew from 30 to 60 and our outdoor occupancy went from 44 to 26. Total occupancy of 74 to 86, a gain of 12 seats and an additional retail space separated from dining areas. Retail shopping went from 150 labels to close to 450 labels, giving our Beaverton even more variety.

Newberg, OR

Our Newberg, OR location opened in the Fall of 2021 with a collaboration and subtenancy with 48 North Pizzeria. We designed a space where two businesses could co-exist operating on a shared expense model, so that each could thrive independently of each other. As the primary tenant of the space, Syndicate Wine, LLC held the primary interest in the suite, lease, licenses, and liabilities.

This space bodes a 1600 square foot dining room and a 400 square foot kitchen. When we acquired the lease, the suite was completely empty. David Anderson fully built out the bar and all finishes and fixture with a vision to have this location mirror the similar elements of Beaverton, but with a different flare. David has since added his personal art collection to the walls to increase some vibrancy to this rather large space.

48 North Pizzeria ceased operations in May 2022, necessitating Syndicate to take over and begin operating its own kitchen and food service.

Though an unexpected hurdle, Syndicate has steadily regrown a base of loyal customers, and is making a name for itself as a wine bar with wine bar food.

Newberg has an indoor seating capacity of 50 seats as well as a 750 square foot outdoor patio that can accommodate another 45. Total seating capacity of 95, indoor and outdoor combined.

Wine Club

From extensive research, we understood the long-term success of Syndicate would require some form of subscription, loyalty rewards, or club membership. We opted for the latter, and have steadily grown our wine club to 170+ distinct accounts. With each club membership averaging two people, this amounts to almost 350 distinct and loyal individual customers that regularly visit, dine in at, and shop from our two locations.

Revenue from club subscriptions is multi-faceted: We bill each account on the 1st day of the month, for which the member receives two hand-selected bottles of wine.

Additionally, we put on a seated tasting, open to every club member and guests on the first or second weekend of the month. We finally offer a make-up tasting date in the middle of the month on a weekday, for club members that could not attend a weekend tasting, but also offer it to the public to generate interest in the club.

With special discounts offered to club members for the various ways the interface with and purchase from us, we are able to track the overall percentage of revenues due to club members. Year to date in 2022, approximately 42% of the total revenue for Syndicate's gross sales is traced to club subscriptions and direct purchases, clearly showing the importance of direct engagement and loyalty from this group of customers.

Market Trends

Industry-wide, things are very different in 2022 versus 2021, and not all of it is positive. While much of the hospitality industry has fully reopened from pandemic closures, we hear and see everywhere, the question being asked: "Where are all of the customers?"

We see many of our fellow restaurants in both Beaverton and Newberg trying new things, some daily, to muster more customer engagement and support. Some are adding activities such as trivia nights or live music, which are things we currently do and can attest do help. Others are simply struggling, and it's clear the brands that can adapt, versus those that feel they are just along for the ride.

Year on year, DTC wine sales are reportedly down 18% from 2021. There has been a move in some parts of the industry towards cutting back on alcohol consumption. We see this in the growth of non-alcoholic (N/A) beverages. We also see this in the reported downturn of walk-in or reservation business that would normally be overloading area wine tasting rooms and wineries, but as of right now are largely sitting empty.

Beaverton location

In Beaverton, since the re-open we have seen a drastic reduction in the use of our reservation system. It used to provide us with lots of information so that we could better prepare for and staff busy upcoming service shifts. As of right now (late August 2022), we largely must guess. Case in point, last night we had only seven (7) total guests with reservations, but by the end of the night, our staff served 33. The other 26 were walk-ins.

Overall, as our 1st Street dining district has grown, it has become more of a walking community, and we directly attribute this shift in hyper-local demographic to change in our guests' behavior.

Newberg location

In Newberg, since opening in September 2021, we have seen a great change in behavior there as well. Situated in a newer commercial location with a large parking lot, despite being close to a large neighborhood most of our customers drive and don't walk to visit us. There are two drive-through businesses in that same lot, and last year the lot would be backed-up with all that drive-through traffic. Now this year, back-ups rarely happen and much of the lot is empty. Other restaurants are asking the same question we are in that town: "Where is everyone?"

Looking at market trends, because of gas price increases and rising inflation, there is a direct reverse correlation that has been tied to consumer spending habits, in that alcohol consumption has dropped. This seems to be the case more so in Newberg than Beaverton, and that is directly connected in our minds with the two demographics. Newberg is a more blue-collar town than Beaverton. Yamhill County and Washington County are two very different economies.

And yet, looking at the rising cost of groceries, the cost of dining out has not increased much if at all, so those with disposable income are more likely now than before to visit one of our locations. There are many factors at play in all of this, but even a seasoned Maletis rep of 24 years, who helps us select beers for our locations, shared that in all of his time, he has never seen a summer so difficult for all of his clients, as 2022.

Looking at our numbers, we are seeing an increase in business, especially with respect to food sales at both locations. Our trending is towards overall increased revenue, which in comparison to the rest of the industry, is good news for us. Even if we see a future downturn, due to industry trends, it just tells us it is due to factors largely outside of our control, and that we are still doing everything right, at least as well as we can be.

Internal Challenges

Inside Construction Issues

TDD, the general contractor for our Beaverton expansion, went well past all pre-agreed deadlines, and far exceeded its budget by more than \$30,000, which resulted in a legal dispute from April 2022 until early September 2022, when we agreed to settle for a reduced amount of \$25,000. Considering our internal legal costs, this still came about around \$30,000, for which we are seeking funding from Business Oregon.

To further reduce construction costs, we agreed to handle much of the smaller tenant improvement jobs, such as sealing the dining room floor (slated for completion starting

9/25/2022), sound buffering decor and elements, finished lighting and chandeliers (delayed until Certificate of Occupancy is received), and of course... a third entrance to the building, now required by recent Beaverton City building code that will include an ADA-accessible ramp with railings. This could be weeks in City review before it is approved by the Land Use Department and is absolutely the very last thing we need at this time.

With buildout originally scheduled for completion by end of 2021, this is putting us almost a year behind on planned construction, and as a direct result we have struggled to keep an efficient interior dining space for our guests' maximum enjoyment.

Outdoor Dining Construction Issues

Open Air Beaverton, as of mid-September 2022, rolled out a lengthy list of City Code enforceable factors, despite the program having been in design for two full years. We are in the midst of rebuilding our outdoor dining space and had hired a third-party architect that drew up plans in coordination with City requirements, only to find the new rules mean the plans need additional work.

We are now working with a City-approved architect, but this obviates a further delay in construction well into the Fall rainy season and that will come at a direct impact to outdoor dining capacity and guest experience.

Our hopes are that new outdoor seating can move forward and that we can at least have construction of the exterior space done before December 2022.

Newberg Evolution

Our Newberg location began as a collaboration between two businesses, with us as primary tenant, and a third party operating the kitchen as subtenant. They ceased operations at the end of May 2022 due to fire code compliance issues, as well as having a complete employee walkout due to poor management and failure to provide adequate product and payroll to the staff.

We therefore took over complete kitchen operations and duties between June and July 2022 and have since rolled out a complete menu for our diners as the sole operating business in the Newberg space.

Understanding the Newberg demographic requires food and not just drink, the priority for Newberg's success hinges not on our beverage service, but on the food component, and so we are moving forward with contractors, suppliers, and internal kitchen staffing to ramp up our offerings just as fast as possible, without sacrificing quality or dietary consideration for dine-in guests.

Since rolling out our kitchen operations, we are now seeing a steady, week-on-week improvement in dine-in traffic and overall revenue numbers. Still, this is uncharted

territory for us, in a portion of dining that is not our specialty, but we are making the best of it, and adapting as well as we can. The numbers are showing that we're doing it right, and this is further backed by customer sentiment and growing, positive reviews on social media.

Internal Successes

Talent Acquisition

Any time a company adds or subtracts from its payroll, the organization either benefits or is hindered. A series of poor hiring choices for our Beaverton location set our brand back, beginning in Fall 2021, which took until June 2022 to correct. With a new location lead, the return of a long-time and experienced staff member, and additional professionals to the team, we are righting the ship rapidly, with revenue figures returning to what they were last Fall.

Additionally, we now have capacity for private events, custom charcuterie grazing boards, seated wine tastings, private book-outs, and even on-site privately catered events... and it's all turning into a very positive set of developments, as these are all further diversified revenue streams.

Event Calendar

Our Fall 2022 calendar is quickly filling up with on-site activities at both locations, such as weekly Trivia, and Wine Club Open Houses that allow the public to visit and experience what a club tasting is like, and to learn more about the wine club. We have also seen a great up-take of interest for existing club members, who can now visit us mid-week to experience their monthly tasting that otherwise would not be possible for a busy weekend schedule.

Private book-outs and events is the greatest area of opportunity, with at least 4-6 events planned each month, and revenues of \$1250+ guaranteed for each booking. It is quickly becoming a new revenue stream that allows us to capitalize on our collective strengths, for a relatively easy-going and cheerful crowd of guests that are excited to attend a private wine function.

Community Involvement

Community engagement is at the core of Syndicate and has been since day one. The pandemic put a big strain on our ability to participate or contribute to community events that had subsequently been placed on hiatus, but those events have returned. We are not actively supporting local school sports teams and nonprofits, hosting events for Chambers of Commerce at both locations, fundraisers for local political candidates, and donating to charitable causes and organizations like the Reser Performing Arts Center, or the Beaverton Chamber's annual golf tournament that raises money for local organizations.

Finally, we have re-engaged with the Beaverton Downtown Association, a city-funded organization tasked with supporting the local community and business district surrounding our Beaverton location. After almost two years of strained relations with the former executive director, we are thrilled to be working closely with the successor, and early results are already showing what is possible, as we will be hosting an after-party for a trick-or-treat event on October 30 in coordination with the BDA.

We look forward to additional community engagement as a way to build brand awareness and demonstrate our community to support our local neighborhoods as best as a wine bar can!

In October 2022, we will be hosting the Chehalem Valley Chamber of Commerce for their Chamber After Dark event. This will be hosted in conjunction with our neighbors in our building and our landlord. When we all work together, we all prosper together.

Summary

As a brand and brick-and-mortar business, Syndicate has evolved considerably through the pandemic. In 2022 alone, we have seen enormous improvement in KPIs across all aspects of the business, and for both locations. With continually diversifying revenue streams, new opportunities each month, and new food offerings for both public and private events, we feel we have weathered the storm and are nearing a breakout.

We understand that while bountiful times are great for our brand and employees, we cannot take these moments for granted, and so are always looking to the horizon for the next set of challenges that will require adaptation and further evolution.

Syndicate Wine Bar is a solid brand, operated by a professional team, backed by ethical and experienced owners, and supported by a growing community of supporters, club members, and industry colleagues that know the value and quality of work and service we provide.