Symphony Importers
1331 Brickell Bay Drive 802
Miami, Florida 33131 USA

Marcia Lampman
Executive Director
Liquor Committee
24 ROB
PA – House of Representatives
Harrisburg, PA 17120

August 5, 2011

Re: House Bill 11

Madam Executive Director and Members of the Committee:

Thank you for this opportunity to testify.

My name is David Katz and I am the founder and owner of ZYR Vodka, pronounced "zeer".

I was born in New Jersey but celebrated most holidays with my uncle in Eastern PA, continue to pray for the Stanley Cup's return to Philadelphia and cherish my time spent in the Commonwealth. I have many close friends as constituents; I am thoroughly fascinated with the PLCB and this bill.

I spent four years at the University of Rochester and finished with a double degree, cum laude in Political Science and Russian Studies. Upon graduation, I left for Moscow to perfect my Russian. My 3-6 month trip turned into five years, and opened my eyes to my great passion of brand building. I sampled the world's finest vodkas along the way. I have visited more than 40 factories throughout Russia, have overseen the production of ZYR for eight years and in between hand sold ZYR into thousands of accounts in a dozen states.

ZYR is the only vodka to receive a perfect 100 points from Wine Enthusiast, 5 stars from Paul Pacult's Spirit Journal and the Double Gold and Best Vodka of Show from the San Francisco World Spirit Competition, an honor we call The Triple Crown. Please excuse the plug, but it is important to know we are talking about an amazing product, a brand that is still reasonable at $30 on the shelf, one supported by a local purveyor (although since moved to Miami)

I spent years developing the surrounding markets of NY and NJ to better prepare for a listing. I was thrilled when ZYR was listed a few years ago. I remain humbled by our success, particularly given the maze of the PLCB and the restrictions. In the few years we were listed, the brand performed well, averaging more than 100 cases per month. We were in a small portion of the stores and I was constantly told by accounts and friends there were none on the shelves or not enough. I was repeatedly told by our partner broker Southern Wine & Spirits and Tim Fringer at the PLCB that the brand was doing well. In January 2009, I was told in person that our 1.75 had a great chance of getting listed. We prepared to hire a company that seems to have the monopoly on in-store tastings, Invisions.

Sadly things turned quite negative from there. Our 1.75 was rejected. Talk grew louder of lowering the price, of introducing coupons (IRCs), and increasing discounts that I fully fund, SPAs. Within a year, I was told ZYR would be delisted, despite selling well and seeming vey arbitrary. Never were there rules or quotas or minimums. The PLCB made money, ZYR is a superior product that Pennsylvanians bought and bought again. In a conversation with Matt Schwenk, he expressed his concern for the brand and in essence gave us a pass, if we agreed to a number of things. These included an IRC of $5 / bottle, increasing the SPA from $3 to $6 a bottle, lowering my price to $28.99 from $30.99, working with my partner-broker to do more, participating in Cigar events and more. Needless to say the brand performed well, although didn't (and has never) reacted to discounts or coupons as a brand in her infancy. We were of course, delisted, which sent me personally into a state of depression, but made me question everything from the role of government, the PLCB and the business.

I asked myself:

1. Why not continue to sell a stunning brand if the profit was good and she sold? Who determined that brands had to be up each year? Why not give time to quality brands that Pennsylvanians liked?

2. Why list new brands? Was ZYR simply a showcase to dabble with new items?

3. Could the major companies have scripted a better outcome than the one they got? Less competition and even less chance to discount (formerly was 1x per quarter and now 1x year I heard)?

4. What if these government resources could focus on the most

important issues, and leave this to others?

The list certainly went on. I finally met Matt face to face earlier this year, my 4th trip to Harrisburg in as many years. He was thoroughly impressive, as is Tim. Both serious, concerned, smart gentleman who I believe in my heart have the best interests of Pennsylvanians in their hearts. They suggested trying again down the road.

In conclusion, I found dealing with PLCB to be difficult. I found there were no rules, and when the few rules were presented to me, the rules changed. I was thrilled that ZYR worked, although my definition of success was another's failure. I found it laughable that we couldn't book tastings until 6 months in advance, and on multiple occasions suggested a maker or owner's path to easier access. Pennsylvanians might want to meet a real representative at an in-store demo. I found the insistence to introduce coupons and SPAs meant little if any profits. I believe some of the magic of my business is helping a consumer discover that perfect bottle of wine or ZYR Vodka to replicate that cocktail they had on their big night out. Without the ad dollars or rapper to sing about ZYR, we depend on that at the store level. The PLCB does not accommodate that part.

What would happen if privatized?

After the delisting, selection went from bad to Soviet. Prices on the remaining products went up. I think the opposite would hold true, almost overnight, with Pennsylvanians passionate about the magic of this business, running 1,000 new businesses. I'm certain you'd have better looking stores, with more selection and better prices.

May ZYR come home to Commonwealth and may the Flyers win the Stanley Cup.

Sincerely,

(no signature - sent electronically)

David Katz