

Scheid Vineyards Inc.

305 Hilltown Rd., Salinas CA 93908

(831) 455-9990

www.scheidvineyards.com

info@scheidfamilywines.com

SIC Code: 2084

Quarterly Report

For the Period Ending: May 31, 2024
(the "Reporting Period")

As of May 31, 2024, the number of shares outstanding of our Common Stock was:

Class A: 784,343

Class B: 132,551

Total Common Shares: 916,894

As of February 29, 2024, the number of shares outstanding of our Common Stock was:

Class A: 784,343

Class B: 132,551

Total Common Shares: 916,894

As of February 28, 2023, the number of shares outstanding of our Common Stock was:

Class A: 781,343

Class B: 132,551

Total Common Shares: 913,894

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐

No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐

No: ☒

Change in Control

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐

No: ☒

1) Name and address of the issuer and its predecessors (if any)

Issuer: Scheid Vineyards Inc.

Predecessors: None

Date and state of incorporation: July 15, 1997 in the state of Delaware (Active)

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address of the issuer's principal executive office:

305 Hilltown Rd., Salinas CA 93908

The address of the issuer's principal place of business: 1972 Hobson Avenue, Greenfield, CA 93927

Check box if principal executive office and principal place of business are the same address: ☐

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes: ☐ No: ☒

2) Security Information

Transfer Agent

Name: Equiniti Trust Company LLC

Phone: 718 921-8200

Email: paula.caroppoli@equiniti.com

Address 1: 6201 15th Avenue

Address 2: Brooklyn, NY 11219

Publicly Quoted or Traded Securities:

Trading symbol:	SVIN
Exact title and class of securities outstanding:	Class A Common Stock
CUSIP:	806403200
Par or stated value:	\$.001
Total shares authorized:	4,000,000 as of date: 05/31/24
Total shares outstanding:	784,343 as of date: 05/31/24
Number of shares in the Public Float:	426,509 as of date: 05/31/24
Total number of shareholders of record:	131 as of date: 05/31/24

All additional class(es) of publicly traded securities (if any): None

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

Exact title and class of the security:	Scheid Vineyards Inc. Class B Common Stock
Par or stated value:	\$.001
Total shares authorized:	2,000,000 as of 05/31/2024
Total shares outstanding:	132,551 as of 05/31/2024
Total number of shareholders of record:	11 as of 05/31/2024

Exact title and class of the security:	Scheid Vineyards Inc. Preferred Stock	
Par or stated value:	\$.001	
Total shares authorized:	2,000,000	as of 05/31/2024
Total shares outstanding:	0	as of 05/31/2024
Total number of shareholders of record:	0	as of 05/31/2024

Security Description

Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock (not publicly traded) is entitled to five votes on all matters submitted to a vote of the stockholders. The holders of the Class A Common Stock, voting as a separate class, elect 25% of the total Board of Directors of the Company, rounded up to the nearest whole number, and the holders of the Class B Common Stock, voting as a separate class, elect the remaining directors. Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder or automatically upon transfer to a person other than certain specified persons. Except for the differing voting rights, the shares of Class A and Class B common stock have substantially identical rights, preferences and privileges.

The Board of Directors has the authority, subject to any limitations prescribed by law, without further action by the stockholders, to issue up to an aggregate of 2,000,000 shares of Preferred Stock in one or more series and to fix the rights, preferences, privileges and restrictions granted to or imposed upon any unissued shares of Preferred Stock and to fix the number of shares constituting any series and the designations of such series. The Board of Directors has not yet designated any series thereof or any rights, preferences, privileges or restrictions attaching thereto. The Company has no present plan to issue any Preferred Stock.

3) Issuance History

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Shares Outstanding as of Second Most Recent Fiscal Year End: February 28, 2022									
Opening Balance:									
Common: 896,144 Preferred: 0									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
March 17, 2022	New Issuance	1,500	Class A	\$16.00	No	Tony Stephen	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	1,000	Class A	\$16.00	No	Henry Poltz	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	1,000	Class A	\$16.00	No	John Holder	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	1,000	Class A	\$16.00	No	Michael Thomsen	Stock Issued as Compensation	Unrestricted	n/a

March 17, 2022	New Issuance	1,000	Class A	\$16.00	No	Roberto Garza	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	1,000	Class A	\$16.00	No	Stefani Chaney	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Anthony Marzella	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Bruce Hungate	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Dan Blanchard	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	David Nagengast	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Edward Chalupa	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Fredrik Sjoelin	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Jennifer Evans	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Jess Hogg	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Jose Arturo Lopez	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Justin Perino	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Keith Knack	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Kevin Morenzi	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Pedro Garibay	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Sylvia Bronson	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Thomas Hornick	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	500	Class A	\$16.00	No	Timothy Wera	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Brian Escobar	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Cheryl Ames	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Craig Winn	Stock Issued as Compensation	Unrestricted	n/a

March 17, 2022	New Issuance	250	Class A	\$16.00	No	David Parker	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Gregory Waters	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	John Smylie	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	John Spillane	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Joseph Fritz	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Julie Hruben	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Michelle McPherson	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Patrick Baker	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Ricki Pettiford	Stock Issued as Compensation	Unrestricted	n/a
March 17, 2022	New Issuance	250	Class A	\$16.00	No	Stefan Foster	Stock Issued as Compensation	Unrestricted	n/a
June 1, 2023	New Issuance	500	Class A	\$16.70	No	Sylvia Bronson	Stock Issued as Compensation	Unrestricted	n/a
June 1, 2023	New Issuance	1,500	Class A	\$16.70	No	Tony Stephen	Stock Issued as Compensation	Unrestricted	n/a
June 1, 2023	New Issuance	1,000	Class A	\$16.70	No	Michael Thomsen	Stock Issued as Compensation	Unrestricted	n/a
Shares Outstanding on Date of This Report:									
Ending Balance:									
Date May 31, 2024 Common: 916,894 Preferred: 0									

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities :

No: ☒ Yes: ☐ (If yes, you must complete the table below)

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations"). Scheid Vineyards is a family-owned and operated, estate-driven wine company founded in 1972. Based in Monterey County, California, Scheid is uniquely integrated to bring high quality estate grown wines to the marketplace from its sustainably certified vineyards and innovative luxury level winery. Scheid's winery and bottling operations are powered

by 100% renewable wind energy generated by a 400-foot-tall wind turbine, which also supplies energy to many homes in the local community. The Scheid Family Wines globally distributed portfolio includes Scheid Vineyards, Sunny with a Chance of Flowers, District 7, Ryder Estate, Metz Road, and VDR. Scheid Family Wines also produces many regionally distributed brands for specific clients and distributors.

B. List any subsidiaries, parents, or affiliated companies.

100% owned Subsidiary: Scheid Vineyards California Inc

C. Describe the issuers' principal products or services. Bottled Wine, Bulk Wine, Wine Grapes, Custom Winemaking Services.

5) Issuer's Facilities

Scheid Vineyards operates approximately 3,000 acres of wine grape vineyards near the city of Greenfield in Monterey County, California, as well as a 30,000-ton capacity, 80,000 square foot winery facility, and an 48,000 square foot bottling and warehouse facility. The Company owns approximately 50% of its vineyard land and leases the remaining 50% under long-term vineyards leases. The winery and bottling warehouse are owned by Scheid Vineyards. The Company also leases its corporate headquarters in Salinas, California, a 70,000 square foot warehouse in Salinas, California, and a tasting room in Carmel, California.

6) Officers, Directors, and Control Persons

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares beneficially owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Alfred Scheid **	Past Chairman of Board	Pacific Palisades, CA	66,395	Class A	8.7%	Father of Scott Scheid and Heidi Scheid
Alfred Scheid **	Past Chairman of Board	Pacific Palisades, CA	84,883	Class B	64.0%	Father of Scott Scheid and Heidi Scheid
Scott Scheid	Chairman of the Board, President, CEO	Salinas, CA	78,687	Class A	10.3%	Son of Alfred Scheid
Scott Scheid	President, CEO, Director	Salinas, CA	21,692	Class B	16.4%	Son of Alfred Scheid
Heidi Scheid	Executive VP, Director	Manhattan Beach, CA	84,521	Class A	11.1%	Daughter of Alfred Scheid
Heidi Scheid	Executive VP, Director	Manhattan Beach, CA	25,137	Class B	19.0%	Daughter of Alfred Scheid
John Crary	Director	Sausalito, CA	14,974	Class A	2.6%	
Jon Fredrikson	Director	Woodside, CA	1,000	Class A	0.1%	
John Hawkins	Director	St. Helena, CA	2,000	Class A	0.3%	
Tony Stephen	Chief Sales Officer, Director	Hopland, CA	4,700	Class A	0.6%	

Michael Thomsen	Chief Financial Officer	Salinas, CA	3,900	Class A	0.6%	
Roy Brady	5% Shareholder	Providence, RI	130,446	Class A	14.2%	
William Fuhrmeister	5% Shareholder	Dallas, TX	47,899	Class A	5.2%	

**** Alfred Scheid passed away March 31, 2023. His shares are currently held by his estate.**

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

N/A

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

N/A

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

N/A

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

N/A

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

N/A

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

N/A

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: Craig Tighe
Firm: DLA Piper LLC
Address 1: 2000 University Avenue
Address 2: East Palo Alto, CA 94303
Phone: 1 (650) 833-2000
Email: craig.tighe@dlapiper.com

Auditor

Name: Rae Paulson
Firm: Moss Adams LLC
Address 1: 3558 Round Barn Blvd, Suite 300
Address 2: Santa Rosa, CA 95403
Phone: (707) 527-0800
Email: rae.paulson@mossadams.com

Investor Relations

None

Other Service Providers

None

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name:	Michael Thomsen
Title:	Chief Financial Officer
Relationship to Issuer:	Officer

B. The following financial statements were prepared in accordance with:

- ☒ U.S. GAAP
☐ IFRS

C. The financial statements for this reporting period were prepared by (name of individual):

Name:	Michael Thomsen
Title:	Chief Financial Officer
Relationship to Issuer:	Officer

Describe the qualifications of the person or persons who prepared the financial statements: Certified Public Accountant

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

Balance Sheet

Statement of Operations

Statement of Cash Flows

Statement of Changes in Stockholders' Equity

Financial Notes

SCHEID VINEYARDS INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

SCHEID VINEYARDS INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS INDEX

	<u>Page</u>
Unaudited Consolidated Balance Sheets as of May 31, 2024 and 2023	3
Unaudited Consolidated Statements of Operations for the Three Months Ended May 31, 2024 and 2023	4
Unaudited Consolidated Statement of Stockholders' Equity for the Three Months Ended May 31, 2024	5
Unaudited Consolidated Statements of Cash Flows for the Three Months Ended May 31, 2024 and 2023	6
Notes to Unaudited Consolidated Financial Statements	7

SCHEID VINEYARDS INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED BALANCE SHEETS
MAY 31, 2024 AND 2023
(amounts in thousands, except share data)

	<u>2024</u>	<u>May 31,</u> <u>2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,562	\$ 722
Accounts receivable, trade	9,373	7,086
Accounts receivable, other	660	593
Inventories	58,579	64,146
Note receivable – stockholder	—	5,058
Other current assets	682	657
Total current assets	70,856	78,262
PROPERTY, PLANT AND EQUIPMENT, net	69,174	69,780
LEASE RIGHT-OF-USE ASSETS	30,747	32,972
OTHER ASSETS, net	2,540	2,526
	<u>\$ 173,317</u>	<u>\$ 183,540</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of debt	\$ 111,468	\$ 49,935
Current portion of lease liabilities	1,027	1,278
Accrued interest	1,808	419
Accounts payable and accrued liabilities	10,106	8,561
Total current liabilities	124,409	60,193
DEBT, NET OF CURRENT PORTION	—	54,991
LEASE LIABILITIES, NET OF CURRENT PORTION	30,315	32,182
DEFERRED INCOME TAXES	309	508
Total liabilities	<u>155,033</u>	<u>147,874</u>
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.001 par value; 2,000,000 shares authorized; no shares issued and outstanding		
Common stock,		
Class A, \$.001 par value; 4,000,000 shares authorized; 784,343 and 781,343 shares outstanding at May 31, 2024 and 2023, respectively		
Class B, \$.001 par value; 2,000,000 shares authorized; 132,551 issued and outstanding at May 31, 2024 and 2023..	1	1
Additional paid-capital	23,038	22,988
Retained earnings	7,024	24,456
Less: treasury stock; 467,039 Class A shares at cost at May 31, 2024 and 2023	(11,779)	(11,779)
Total stockholders' equity	<u>18,284</u>	<u>35,666</u>
	<u>\$ 173,317</u>	<u>\$ 183,540</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

SCHEID VINEYARDS INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED MAY 31, 2024 AND 2023
(amounts in thousands, except per share data)

	<u>Three Months Ended May 31,</u>	
	<u>2024</u>	<u>2023</u>
REVENUES:		
Cased goods sales	\$ 11,006	\$ 10,886
Bulk wine sales.....	1,769	1,801
Winery processing and storage revenues	1,131	787
Direct sales revenues	936	869
Other revenues	103	96
Total revenues	14,945	14,439
COST OF SALES	<u>(11,083)</u>	<u>(11,349)</u>
GROSS PROFIT	3,862	3,090
Sales and marketing expenses	(2,686)	(3,017)
General and administrative expenses	<u>(1,689)</u>	<u>(1,934)</u>
LOSS FROM OPERATIONS	(513)	(1,861)
Interest expense, net	(1,946)	(1,485)
Proceeds from contract dissolution	3,613	—
Gain on sale of equipment	<u>27</u>	<u>79</u>
INCOME (LOSS) BEFORE (PROVISION FOR)		
BENEFIT FROM INCOME TAXES	1,181	(3,267)
(PROVISION FOR) BENEFIT FROM INCOME TAXES	<u>(331)</u>	<u>903</u>
NET INCOME (LOSS)	<u>\$ 850</u>	<u>\$ (2,364)</u>
INCOME (LOSS) PER SHARE	<u>\$ 0.93</u>	<u>\$ (2.59)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>917</u>	<u>914</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

SCHEID VINEYARDS INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MAY 31, 2024
(amounts in thousands, except share amounts)

	<u>Common Stock Outstanding</u>			<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Shares</u>
	<u>Number of Class A Shares</u>	<u>Number of Class B Shares</u>	<u>Amount</u>			
BALANCE, March 1, 2024.....	784,343	132,551	\$ 1	\$ 23,038	\$ 6,174	\$ (11,779)
Net income	—	—	—	—	850	—
BALANCE, May 31, 2024	<u>784,343</u>	<u>132,551</u>	<u>\$ 1</u>	<u>\$ 23,038</u>	<u>\$ 7,024</u>	<u>\$ (11,779)</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

SCHEID VINEYARDS INC. AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MAY 31, 2024 AND 2023
(amounts in thousands, except share amounts)

	<u>Three Months Ended May 31,</u>	
	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 850	\$ (2,364)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,077	1,272
Non-cash operating lease expense	331	406
Gain on sale of vineyards and equipment	(27)	(79)
Deferred income taxes	309	(944)
Changes in operating assets and liabilities:		
Accounts receivable, trade and other	271	3,276
Inventories	(301)	453
Supplies, prepaid expenses and other current assets	49	121
Accounts payable and accrued liabilities	(1,923)	(985)
Operating lease liabilities.....	(498)	(316)
Net cash provided by operating activities	<u>138</u>	<u>840</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(691)	(1,918)
Proceeds from sale of property, plant & equipment	27	79
Other assets	(2)	—
Net cash used in investing activities	<u>(666)</u>	<u>(1,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in long-term debt	—	1,646
Repayment of long-term debt and capital lease obligations	—	(2,400)
Net cash used in financing activities	—	(754)
Decrease in cash and cash equivalents	(528)	(1,753)
CASH AND CASH EQUIVALENTS, beginning of period	<u>2,090</u>	<u>2,475</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 1,562</u>	<u>\$ 722</u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 512	\$ 1,298
Income taxes (net of refunds)	\$ —	\$ —

See accompanying Notes to Unaudited Consolidated Financial Statements.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — Scheid Vineyards Inc. (the “Company”) conducts all of its business through its wholly-owned subsidiary, Scheid Vineyards California Inc., a California corporation. All significant intercompany balances have been eliminated in consolidation. The Company’s fiscal year end is the last day of February.

Organization — The principal business of the Company is the production of premium varietal wine grapes and wine, the operation of a custom crush winery facility, and the sale of bottled wine through wholesalers and directly to consumers. The Company currently operates premium wine grape vineyards in Monterey County, California.

Going Concern — The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As more fully described in Note 5, the Company did not meet certain financial covenants or make principal payments due under the terms of its debt agreements. The Company is thus in default on these agreements, and one of the Company’s lenders has filed a notice of default and acceleration on other loans.

Management is currently attempting to negotiate forbearance periods with its current lenders and is also attempting to find alternative financing arrangements. In addition, the Company is actively endeavoring to sell certain assets to reduce its debt and cure defaults. There can be no assurance that the Company will be successful in these actions and, if unsuccessful, the Company may not be able to fund its operations and may be forced to seek bankruptcy protection.

As a result of these uncertainties, management has concluded that there is substantial doubt about the Company’s ability to continue as a going concern within one year as of the date these consolidated financial statements are issued. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might result from the outcome of this uncertainty.

Cash and Cash Equivalents — The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At May 31, 2024 and 2023, substantially all cash balances were on deposit with the Company’s major bank. Cash held at a bank is at times in excess of the amount insured by the Federal Deposit Insurance Corporation. Management does not expect to incur any losses on balances in excess of the limit.

Allowance for Credit Losses — The Company’s policy is to identify all specific customers from whom a payment would be considered doubtful based upon the customer’s financial condition, payment history, credit rating and other relevant factors and reserve for the portion of those outstanding balances where collection does not seem likely. There was no reserve for credit losses on May 31, 2024 and 2023. The balances at May 31, 2024 and 2023 are included on the consolidated balance sheet.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories — Inventories are stated at the lower of FIFO (first-in, first-out) cost or net realizable value. Cost includes the cost of grown grapes, harvesting, production, aging and bottling, and tasting room merchandise. Bulk and bottled wine inventories are classified as current assets in accordance with recognized trade practice although certain inventories will be aged for periods longer than one year. Crop costs associated with farming vineyards prior to the harvest are deferred and recognized in the year the grapes are harvested. Net realizable value is defined as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. On a quarterly basis, the Company evaluates the cost of its inventories and reduces such inventories to net realizable value if required. There were no such write-down for the three months ended May 31, 2024 and 2023. Due to the inherent uncertainties in this reserve estimate, which is based on current market assumptions, actual results could vary significantly from the Company's estimates.

Major Customers — One of the Company's customers accounted for 21% of total revenues during the three months ended May 31, 2024, and 18% of outstanding receivables on May 31, 2024. The same customer accounted for 22% of total revenues during the three months ended May 31, 2023, and 18% of outstanding receivables on May 31, 2023.

Property, Plant and Equipment, net — Property, plant and equipment are stated at cost and are depreciated using straight-line and accelerated methods over the estimated useful lives of the assets. Vineyards generally have estimated depreciable lives of 25 to 30 years, buildings 30 to 39 years, and furniture and equipment 5 to 20 years. Development costs incurred during the development period of a vineyard, including related interest, are capitalized. Depreciation commences in the initial year the vineyard becomes commercially productive, generally in the fourth year after planting. Any revenue generated prior to a vineyard becoming commercially productive reduces the capitalized cost of the vineyard. The Company's winery consists of a building and the related equipment necessary to operate the facility.

Accounting for Impairment or Disposal of Long-Lived Assets — Whenever facts and circumstances indicate that the carrying value of a long-lived asset may not be recoverable, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered, as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value. There were no such losses for the three months ended May 31, 2024 and 2023.

Revenue Recognition — The Company recognizes revenue when obligations under the terms of a contract with its customer are satisfied. Generally, this occurs when the product is picked up or title passes to the customer, when control of the promised product or service is transferred to the customer, and collectability is reasonably assured. Revenue is measured as the amount of consideration expected to be received in exchange for transferring products. The Company's products are generally not sold with a right of return unless the product is spoiled or damaged. Historically, returns have not been material to the Company. Substantially all revenues of the Company are derived from customers within the United States.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company generally recognizes revenue from grape sales upon delivery to the customer's winery. The Company does not have any allowance for returns because grapes are tested and accepted upon delivery. The Company generally recognizes revenue from the sale of bulk wine on the speculative market at the time the wine is shipped to the customer and the customer obtains control of the bulk wine. Revenue from wine sold under bulk wine purchase contracts is recognized when title and control has transferred to the customer, the price is determinable, and collectability is reasonably assured. Title transfers to the customer upon receipt of a required amount of the contract price and acceptance of the wine. Revenues are deferred when payments or deposits are made by the customer before the delivery of grapes or wine has occurred, or title and control has not transferred to the customer. Winery processing, storage revenues, vineyard management, services and other revenues are recognized over time using the input method as the service is performed and product specific performance obligations are met.

The Company sells its wine to wholesale distributors and retailers under purchase orders. The Company transfers control and recognizes revenue for these orders upon pick up of wine by the customer from the Company's facility or a third-party warehouse facility. Payment terms to wholesale distributors typically range from 30 to 60 days. The Company pays depletion allowances to its distributors based on sales to their customers, and there is generally no other variable consideration. The Company records depletion allowances in the month the related sale is recorded, and sales are reported net of depletion expenses. Depletion allowance payments are made when completed incentive program requests are received from the customers.

The Company sells its wine and other merchandise directly to consumers through wine club memberships, at the winery's tasting rooms, and through the internet. Wine club membership sales are made under contracts with customers, which specify the quantity and timing of future wine shipments. Customer credit cards are charged in advance of wine shipments in accordance with each contract. Tasting room wine sales are paid for and revenue is recognized at the time of sale. The Company transfers control and recognizes revenue for wine club shipments and internet sales upon receipt of wine by the customer.

Fair Value of Financial Instruments — The fair values of accounts receivable and accounts payable approximate book value because of their short duration. Long-term debt approximates book value because such financial instruments have variable, market driven, interest rates.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is established based on the type of inputs used in arriving at fair value.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level I prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Use of Estimates — The preparation of the consolidated financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from reported amounts of assets, liabilities, revenues, and expenses.

Earnings Per Share and Classes of Common Stock — Weighted average shares outstanding includes both Class A and Class B Common Stock outstanding.

Income Taxes — Income taxes are recognized using enacted tax rates and are composed of taxes on financial accounting income that is adjusted for requirements of current tax law and deferred taxes. Deferred taxes are the expected future tax consequences of temporary differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. A valuation allowance reduces any deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

The Company accounts for uncertain tax positions using a two-step approach to recognize and measure tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

Excise Taxes, Sales Taxes and Shipping and Handling — Excise taxes are levied by government agencies on the sale of alcoholic beverages, including wine. These taxes are not collected from customers but are instead the responsibility of the Company. Excise taxes are expensed at the time of sale of the related product and totaled \$347,000 and \$487,000 for the three months ended May 31, 2024 and 2023, respectively. The Company collects applicable sales tax from nonexempt customers and remits the entire amount to the state where the sales tax is collected. Shipping and handling costs are included in cost of sales.

Leases — Transactions give rise to leases when the Company receives substantially all of the economic benefits from, and has the ability to direct the use of, the specified property and equipment. The Company has lessee activities that are classified as operating leases. Operating leases are included in lease right-of-use assets, current portion of lease liabilities, and lease liabilities, net of current maturities on the consolidated balance sheet.

The Company recognizes a right-of-use asset and lease liability for each lease with a contractual term greater than 12 months at the time of lease inception. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet but continue to be recognized as rent expense on a straight-line basis over the lease term. Leases often include options to extend, which are included in the determination of lease terms when they are reasonably certain to be exercised.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-of-use assets and liabilities are recorded based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the Company uses the applicable risk-free rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

Total lease costs recorded as rent include fixed operating lease costs, variable lease costs and short-term lease costs. Fixed operating lease costs are recognized on a straight-line basis over the lease term. Variable lease costs may include common area maintenance, taxes, and insurance.

Union Agreement — The United Farm Workers, AFL-CIO (“UFW”) has represented the Company’s farm workers since 1993. The Company signed a new five-year contract with the UFW in January 2022, which will expire on December 31, 2027. Approximately 30% of the Company’s full-time employees are represented by the UFW.

Recently Adopted Accounting Pronouncements — In June 2016, the Financial Accounting Standards Board (“FASB”) issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Company adopted the standard effective March 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

Subsequent events — Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements were available to be issued.

In June 2024, the Company sold 48 acres of bare land for \$2,700,000. The book basis in the land of \$1,047,000 will result in a gain in the second quarter of fiscal 2025 of approximately \$1,653,000.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

2. INVENTORIES

Inventories consist of the following:

	<u>May 31, 2024</u>	<u>May 31, 2023</u>
	(in thousands)	
Bulk wine	\$ 34,007	\$ 35,050
Cased goods inventories	15,046	19,052
Deferred crop costs	7,076	7,191
Cased goods supplies	1,001	704
Vineyard supplies	418	360
Winery supplies	672	1,492
Direct sales inventories	359	297
Total	<u>\$ 58,579</u>	<u>\$ 64,146</u>

3. NOTE RECEIVABLE – STOCKHOLDER

The Company had a note receivable from the Chairman of the Board of Directors (the “Chairman”) of the Company in the amount of up to \$5,000,000. The note was secured by an assignment of life insurance policies on the Chairman’s life in favor of the Company. Proceeds from advances on the note were to pay for the premiums on the life insurance policies. The note bore interest at the rate of 4.1% per annum, and payment was due upon the death of the Chairman. The Chairman passed away in March of 2023, and the note receivable, including interest, of \$5,058,000 was repaid in July of 2023.

4. PROPERTY, PLANT AND EQUIPMENT, net

Property, plant and equipment consists of the following:

	<u>May 31, 2024</u>	<u>May 31, 2023</u>
	(in thousands)	
Vineyard land and buildings	\$ 11,315	\$ 11,315
Vineyard improvements	45,065	44,977
Vineyard machinery and equipment	13,444	13,444
Winery buildings	47,133	47,133
Winery machinery and equipment	44,873	37,119
Construction in progress	1,476	5,115
Tasting room building and equipment	2,287	2,284
Office furniture and equipment	3,625	3,623
Leasehold improvements	704	704
Total	<u>169,926</u>	<u>165,714</u>
Accumulated depreciation and amortization	<u>(100,752)</u>	<u>(95,934)</u>
Property, plant and equipment, net	<u>\$ 69,174</u>	<u>\$ 69,780</u>

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

5. DEBT

Rabobank — The Company has a borrowing facility with Rabobank, N.A. (“Rabobank”) for up to \$35,000,000 in borrowings, which is intended to fund the annual operating costs of the Company. This note is secured by the cash, receivables, crop and other inventories of the Company. There was \$34,944,000 outstanding under this portion of the facility on May 31, 2024, bearing interest at a weighted average rate of 8.81%. There was \$32,879,000 outstanding under this portion of the facility on May 31, 2023, bearing interest at a weighted average rate of 7.75%. Interest on the facility was payable at the SOFR rate plus 3.50% through February 29, 2024, when the note became due.

This facility expired on February 29, 2024, and the Company was unable to repay the amounts due and thus was in default under the terms of the facility. On July 2, 2024, the Company entered into a forbearance agreement with Rabobank that extends the due date of principal and interest on this facility to July 31, 2024. Under the terms of the forbearance agreement, interest on the facility is payable at the default rate of 5.00% over the current rate beginning June 1, 2024.

PGIM — The Company has a \$90,000,000 real estate financing package with PGIM Real Estate Finance (“PGIM”), the commercial and agricultural financing business of Prudential Financial, Inc. The three notes (“Note 1”, “Note 2” and “Note 3”) from this facility are secured by deeds of trust and leasehold interests in the Company’s vineyards, as well as a deed of trust on the Company’s winery building and equipment. Note 1 and Note 2 are payable in annual installments each March 1st totaling \$2,400,000 and originally matured on September 1, 2033, with interest payable at 4.71%. Note 3 is a real estate line of credit that has outstanding borrowings of \$19,140,000 and was due on February 29, 2024. Interest on Note 3 was payable at the SOFR rate plus 3.25%.

The amount borrowed under this facility at February 29, 2024 was as follows:

<u>Note #</u>	<u>Amount Borrowed</u> <u>(in thousands)</u>	<u>Interest Rate at</u> <u>May 31, 2024</u>
1	\$ 38,400	4.71%
2	19,200	4.71%
3	19,140	9.35%
Total due	<u>\$ 76,740</u>	

The Company was unable to repay Note 3 on February 29, 2024 or make the principal and interest payments on Notes 1 and 2 when they became due. On June 7, 2024, PGIM issued a notice of default on the facility and accelerated the due date on Note 1 and Note 2. All amounts under these notes are classified as a current liability on the consolidated balance sheet. On July 23, 2024, the Company entered into a forbearance agreement with PGIM that extends the due date of principal and interest on this facility to July 31, 2024. Under the terms of the forbearance agreement, interest on Note 3 is payable at the SOFR rate plus 4.00% beginning March 1, 2024.

The outstanding principal balance of debt as presented on the consolidated balance sheets is net of unamortized loan fees of \$216,000 and \$209,000 on May 31, 2024 and 2023, respectively. These loan facilities prohibit the payment of dividends without the consent of the lenders and contain various financial covenants, including debt service coverage ratios, and the amount of total liabilities to tangible net worth. The Company continues to be in violation of these financial covenants at May 31, 2024.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

6. LEASES

Vineyard land leases cover approximately 1,000 acres, with initial terms ranging from 24 to 30 years. The land leases provide for options to renew ranging from 10 to 20 years and contain provisions for rent adjustments based upon the prevailing market rate or CPI, and also provide for payments of taxes, insurance and maintenance costs. The Company has also entered into leases for office and warehouse space with terms of 3 to 5 years. In addition, the Company has entered into lease agreements for vineyard and winery equipment which had been classified as finance leases. These leases were paid off in fiscal 2023.

Total lease costs are comprised of the following (amounts in thousands):

	<u>Year Ended</u>	
	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Operating lease expense	\$ 511	\$ 580
Short-term lease expense	22	25
Total	<u>\$ 533</u>	<u>\$ 605</u>

Other quantitative disclosure are as follows (amounts in thousands):

	<u>May 31, 2024</u>	<u>May 31, 2023</u>
Operating right-of-use asset obtained in exchange for new operating lease liabilities	\$ -	\$ 34,819
Weighted average remaining lease term (in years)	31.4	31.0
Weighted-average discount rate	2.3 %	2.1 %

At May 31, 2024, the undiscounted future cash payments over the lease term for operating leases, along with a reconciliation of the undiscounted cash flows, were as follows (amounts in thousands):

2025	\$ 1,729
2026	1,770
2027	1,795
2028	1,581
2029	1,497
Thereafter	36,609
Total undiscounted cash flows	44,981
Less: present value discount	(13,639)
Total lease liabilities	<u>\$ 31,342</u>

7. PENSION PLANS

The Company has two 401(k) Profit Sharing Plans. The first plan covers the Company's non-union employees. All non-union employees of the Company are eligible to participate in the plan after three months of employment. Employees may contribute between 1% and 15% of their annual compensation. The Company matches 4% for every dollar of employee contribution up to 6% of their annual salaries, subject to the limitations imposed by the Internal Revenue Code. The Company's contribution to this plan amounted to \$114,000 and \$142,000 for the three months ended May 31, 2024 and 2023, respectively.

SCHEID VINEYARDS INC. AND SUBSIDIARY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2024 AND 2023

7. PENSION PLANS (Continued)

The second plan is for the benefit of the Company's employees who are covered by the United Farm Workers of America Collective Bargaining Agreement. All union employees of the Company are eligible to participate after having worked 500 hours within a one-year period. The Company contributes a minimum of 20 cents for each hour worked by eligible employees, subject to the limitations imposed by the Internal Revenue Code. The Company's contribution to the union employees' plan amounted to \$10,000 and \$9,000 for the three months ended May 31, 2024 and 2023, respectively.

8. COMMON STOCK

Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to five votes on all matters submitted to a vote of the stockholders. The holders of the Class A Common Stock, voting as a separate class, elect 25% of the total Board of Directors of the Company, rounded up to the nearest whole number, and the holders of the Class B Common Stock, voting as a separate class, elect the remaining directors. Each share of Class B Common Stock is convertible into one share of Class A Common Stock at the option of the holder or automatically upon transfer to a person other than certain specified persons. Except for the differing voting rights, the shares of Class A and Class B common stock have substantially identical rights, preferences and privileges.

10) Issuer Certifications

Principal Executive Officer:

I, Scott D. Scheid certify that:

1. I have reviewed this quarterly disclosure statement for Scheid Vineyards Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

7/22/2024

/s/ Scott D. Sched

Principal Financial Officer:

I, Michael S. Thomsen certify that:

1. I have reviewed this quarterly disclosure statement for Scheid Vineyards Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

7/22/2024

/s/ Michael S. Thomsen