

WILLAMETTE VALLEY VINEYARDS INC
Form 10QSB
May 13, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

For the Quarter Ended March 31, 2005

Commission File Number 0-21522

WILLAMETTE VALLEY VINEYARDS, INC.

(Exact name of registrant as specified in charter)

| | |
|---|--|
| Oregon | 93-0981021 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

8800 Enchanted Way, S.E., Turner, Oregon 97392
(503)-588-9463

(Address, including Zip code, and telephone number,
including area code, of registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed, all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports) and (2) has been subject to such
filing requirements for the past 90 days.

YES NO

Number of shares of common stock outstanding as of March 31, 2005
4,486,278 shares, no par value

Transitional Small Business Disclosure YES NO

WILLAMETTE VALLEY VINEYARDS, INC.
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PART 1

FINANCIAL INFORMATION

ITEM 1

Financial Statements

WILLAMETTE VALLEY VINEYARDS, INC.

Balance Sheet

| | March 31, 2005 (unaudited) | December 31, 2004 |
|--|----------------------------------|------------------------------|
| ASSETS. | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 913,191 | \$ 851,492 |
| Accounts receivable trade, net | 852,663 | 908,510 |
| Inventories | 7,666,848 | 7,827,982 |
| Prepaid expenses and other current assets | 120,140 | 53,059 |
| Deferred income taxes | 109,401 | 109,401 |
| Total current assets | <u>9,662,243</u> | <u>9,750,444</u> |
| Vineyard development cost, net | 1,463,149 | 1,482,348 |
| Inventories | 571,355 | 571,355 |
| Property and equipment, net | 4,167,921 | 4,254,526 |
| Note receivable | 5,000 | 5,000 |
| Debt issuance costs, net | 43,084 | 42,561 |
| Other assets | 81,621 | 82,315 |
| Total assets | <u>\$15,994,373</u> ===== | <u>\$16,188,549</u> ===== |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current liabilities | | |
| Line of credit | \$ 1,265,059 | \$ 1,232,251 |
| Current portion of long term debt | 257,957 | 257,957 |
| Accounts payable | 498,910 | 510,803 |
| Accrued expenses | 568,165 | 526,860 |
| Income taxes payable | 128,144 | 278,970 |
| Grapes payable | 466,668 | 592,390 |
| Total current liabilities | <u>3,184,903</u> | <u>3,399,231</u> |
| Long-term debt | 2,263,157 | 2,331,987 |

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| | | |
|--|--------------|--------------|
| Distributor obligation | 1,500,000 | 1,500,000 |
| Deferred rent liability | 140,032 | 131,785 |
| Deferred gain | 466,285 | 474,309 |
| Deferred income taxes | 212,975 | 212,975 |
| | <hr/> | <hr/> |
| Total liabilities | 7,767,352 | 8,050,287 |
| | <hr/> | <hr/> |
| Shareholders' equity | | |
| Common stock, no par value - 10,000,000 | | |
| shares authorized, 4,486,278 and 4,486,278 | | |
| shares issued and outstanding at March 31, | | |
| 2005 and December 31, 2004 | 7,182,329 | 7,182,329 |
| Retained earnings | 1,044,692 | 955,933 |
| | <hr/> | <hr/> |
| Total shareholders' equity | 8,227,021 | 8,138,262 |
| | <hr/> | <hr/> |
| Total liabilities and shareholders' equity | \$15,994,373 | \$16,188,549 |
| | ===== | ===== |

The accompanying notes are an integral part of this financial statement.

WILLAMETTE VALLEY VINEYARDS, INC.

Statement of Operations

(unaudited)

| | Three months ended March 31, 2005 | 2004 |
|---|--------------------------------------|--------------|
| | <hr/> | <hr/> |
| Net Revenues | | |
| Case Revenue | \$ 2,284,638 | \$ 1,834,611 |
| Facility Lease - Custom Crush | 90,440 | 9,015 |
| | <hr/> | <hr/> |
| Total Revenue | 2,375,078 | 1,843,626 |
| | <hr/> | <hr/> |
| Cost of Sales | | |
| Case | 1,230,516 | 884,019 |
| Bulk | 55,926 | - |
| | <hr/> | <hr/> |
| Total Cost of Sales | 1,286,442 | 884,019 |
| | <hr/> | <hr/> |
| Gross Margin | 1,088,636 | 959,607 |
| | <hr/> | <hr/> |
| Selling, general and administrative expense | 892,422 | 689,764 |
| | <hr/> | <hr/> |
| Net operating income | 196,214 | 269,843 |
| | <hr/> | <hr/> |
| Other income (expense) | | |
| Interest income | 165 | 1,203 |
| Interest expense | (65,783) | (76,382) |
| Other income | 17,336 | 14,538 |
| | <hr/> | <hr/> |
| Net income before income taxes | 147,932 | 209,202 |
| | <hr/> | <hr/> |
| Income tax | (59,173) | (83,681) |
| | <hr/> | <hr/> |
| Net income | 88,759 | 125,521 |
| | <hr/> | <hr/> |
| Retained earnings beginning of period | 955,933 | 492,251 |
| | <hr/> | <hr/> |

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| | | |
|--|--------------|------------|
| Retained earnings end of period | \$ 1,044,692 | \$ 617,772 |
| | ===== | ===== |
| Basic income per common share | \$.02 | \$.03 |
| Diluted income per common share | \$.02 | \$.03 |
| Weighted average number of basic common shares outstanding | 4,486,278 | 4,482,280 |
| Weighted average number of diluted common shares outstanding | 4,580,883 | 4,662,087 |

The accompanying notes are an integral part of this financial statement.

WILLAMETTE VALLEY VINEYARDS, INC.

Statement of Cash Flows

(unaudited)

| | Three months ended March 31, 2005 | 2004 |
|--|--------------------------------------|--------------------|
| | ----- | ----- |
| Cash flows from operating activities: | | |
| Net income | \$ 88,759 | \$ 125,521 |
| Reconciliation of net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 139,197 | 166,667 |
| Stock issued for compensation | - | 11,500 |
| Changes in assets and liabilities: | | |
| Accounts receivable trade | 55,847 | 64,031 |
| Inventories | 161,134 | (113,140) |
| Prepaid expenses and other current assets | (67,081) | (993) |
| Note receivable | | (1,120) |
| Other assets | 694 | 778 |
| Accounts payable | (11,893) | (87,343) |
| Accrued expenses | 41,305 | (50,662) |
| Income taxes payable | (150,826) | 83,681 |
| Grape payables | (125,722) | (55,185) |
| Deferred rent liability | 8,247 | 5,697 |
| Deferred gain | (8,024) | (6,246) |
| Net cash provided by operating activities | ----- 131,637 | ----- 143,186 |
| Cash flows from investing activities; | | |
| Additions to property and equipment | (29,294) | (80,208) |
| Vineyard development expenditures | - | (37,999) |
| Net cash used in investing activities | ----- (29,294) | ----- (118,207) |
| Cash flows from financing activities: | | |
| Debt issuance costs | (4,622) | - |
| Net (decrease) increase in line of credit balance | 32,808 | 10,820 |
| Repayments of long-term debt | (68,830) | (68,744) |
| | ----- | ----- |

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| | | |
|---|---------------------|---------------------|
| Net cash (used in) provided by financing activities | (40,644) | (57,924) |
| | _____ | _____ |
| Net increase (decrease) in cash and cash equivalents | 61,699 | (32,945) |
| Cash and cash equivalents: | | |
| Beginning of period | 851,492 | 213,681 |
| End of period | \$ 913,191 ===== | \$ 180,736 ===== |

The accompanying notes are an integral part of this financial statement.
NOTES TO CONSOLIDATED FINANCIAL STATEMENT

1) BASIS OF PRESENTATION

The accompanying unaudited financial statements as of and for the three month period ended March 31, 2005 and 2004, have been prepared in conformity with generally accepted accounting principles. The financial information as of December 31, 2004, is derived from the audited financial statements presented in the Willamette Valley Vineyards, Inc. (the "Company") Annual Report on Form 10-KSB for the year ended December 31, 2004. Certain information or footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments necessary (which are of a normal recurring nature) for the fair statement of the results of the interim periods presented. The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2004, as presented in the Company's Annual Report on Form 10-KSB.

Operating results for the three months ended March 31, 2005, are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2005, or any portion thereof.

The Company has a single operating segment consisting of the retail, instate self-distribution and out of state sales departments. These departments have similar economic characteristics, offer comparable products to customers, and utilize similar processes for production and distribution.

Basic earnings per share are computed based on the weighted-average number of common shares outstanding each period. Diluted earnings per share are computed using the weighted average number of shares of common stock and potentially dilutive common shares outstanding during the year. Potentially dilutive shares from stock options and other potentially dilutive shares are excluded from the computation when their effect is anti-dilutive. Potentially dilutive shares of 94,605 shares are included in the computation of dilutive earnings per share for the three months ended March 31, 2005. Total potentially dilutive shares of 179,807 shares are included in the computation of dilutive earnings per share for the three months ended March 31, 2004.

2) STOCK BASED COMPENSATION

The Company accounts for the employee and director stock options in accordance with provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. Pro forma disclosures as required under SFAS No. 123, Accounting for Stock Based Compensation, and as amended by SFAS No. 148, Accounting for Stock Based Compensation - Transition and Disclosure, are presented below.

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Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Company's net earnings would have been reduced to the pro forma amounts indicated as follows for the quarter ended March 31:

| | March 31, 2005 (unaudited) | March 31, 2004 (unaudited) |
|--|----------------------------------|----------------------------------|
| | <u> </u> | <u> </u> |
| Net income, as reported | \$ 88,759 | \$ 125,521 |
| Add Stock-based employee compensation expense included in reported net income, net of related tax effects | - | 11,500 |
| Deduct total stock based employee compensation expense determined under fair value based method for all awards, Net of related tax effects | (179,670) | (12,909) |
| | <u> </u> | <u> </u> |
| Pro forma net income | \$ (90,911) | \$ 124,112 |
| Earnings per share: | | |
| Basic - as reported | \$ 0.02 | \$ 0.03 |
| Basic - pro forma | \$ 0.02 | \$ 0.03 |
| Diluted - as reported | \$ (0.02) | \$ 0.03 |
| Diluted - pro forma | \$ (0.02) | \$ 0.03 |

For purposes of disclosure, the Black-Scholes option pricing model was used to calculate fair values for stock options granted. The estimated fair value of the options is amortized to expense over the options' vesting period.

4) INVENTORIES BY MAJOR CLASSIFICATION ARE SUMMARIZED AS FOLLOW:

| | March 31, 2005 (unaudited) | December 31, 2004 |
|--|----------------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Winemaking and packaging materials | \$ 51,251 | \$ 134,059 |
| Work-in-progress (costs relating to unprocessed and/or bulk wine products) | 1,607,491 | 1,891,681 |
| Finished goods (bottled wines and related products) | 6,579,461 | 6,373,597 |
| | <u> </u> | <u> </u> |
| | 8,238,203 | 8,399,337 |
| Less: amounts designated for distributor | (571,355) | (571,355) |
| | <u> </u> | <u> </u> |
| Current inventories | \$ 7,666,848 ===== | \$ 7,827,982 ===== |

5) PROPERTY AND EQUIPMENT CONSIST OF THE FOLLOWING:

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| | March 31, 2005 (unaudited) | December 31, 2004 |
|--|----------------------------------|----------------------|
| | _____ | _____ |
| Land and improvements | \$ 769,644 | \$ 769,644 |
| Winery building and hospitality center | 4,674,765 | 4,647,272 |
| Equipment | 3,806,876 | 3,805,075 |
| | _____ | _____ |
| | 9,251,285 | 9,221,991 |
| Less accumulated depreciation | (5,083,364) | (4,967,465) |
| | _____ | _____ |
| | \$ 4,167,921 | \$ 4,254,526 |
| | ===== | ===== |

6) SUBSEQUENT EVENTS:

None.

ITEM 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statement:

This Management's Discussion and Analysis of Financial Condition and Results of Operation and other sections of this Form 10-QSB contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks and uncertainties that are based on current expectations, estimates and projections about the Company's business, and beliefs and assumptions made by management. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are intended to identify such forward-looking statements. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous factors, including, but not limited to: availability of financing for growth, availability of adequate supply of high quality grapes, successful performance of internal operations, impact of competition, changes in wine broker or distributor relations or performance, impact of possible adverse weather conditions, impact of reduction in grape quality or supply due to disease, impact of governmental regulatory decisions, and other risks detailed below as well as those discussed elsewhere in this Form 10-QSB and from time to time in the Company's Securities and Exchange Commission filings and reports. In addition, such statements could be affected by general industry and market conditions and growth rates, and general domestic economic conditions.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the first quarter of 2005, the company experienced its third consecutive profitable first quarter, generally the weakest in the industry, and historically the weakest for the Company.

The First Quarter 2005 net profit was lower than 2004 principally because of unusually high margins experienced in the prior year period. Gross margins in 2005 were in line with expectations at 46%, as compared to 52% in the prior year period.

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Total Sales increased 29% over the prior period and Gross Profit increased 13% (\$129,029) over the prior year period. This increase was exceeded, however, by an increase in selling, general and administrative expenses of 29% (\$202,658) over the prior year period. As a consequence of the increase in expenses, operating income declined as compared to the prior year period.

Increases in the expenses of the wholesale department, called Bacchus Fine Wines' outpaced the increase in gross profit principally in sales labor expense and shipping costs. These costs are a result of additional delivery capacity and the shipment of purchases of additional wine inventory for resale, compared to the prior year period. To a lesser degree, the Retail Department's expenses increased over the gross profit as compared to the prior year principally due to increased shipping costs. The management has embarked on a study of shipping related costs, other than higher fuel costs, which can be reduced through changes in purchasing and logistics. Management believes a portion of these higher expenses, those relating to higher fixed wholesale delivery costs can be spread over higher sales expected in the remainder of the year.

The most significant development in the first quarter was a 40% increase in depletions of WVV products by the Company's out-of-state distributors to their retail customers. This increase in depletions resulted in sales from the winery to out-of-state distributors increasing 21% over the prior period, and Management believes this will continue to lead to increased sales throughout the year. Management believes the focus on its core offerings of Pinot noir and Pinot gris is the primary reason for this historically high increase combined with an increased awareness of Pinot noir by the movie, "Sideways" which began showing in the Fourth Quarter of 2004.

Increased sales of WVV produced products have reduced excess inventories and Management is reviewing sales projections in order to plan appropriate inventory production. While there remains some inventory imbalances, management may increase wine production of Pinot noir in 2005 which may spread fixed production costs and improve the margins on future sales.

Management is reviewing a possible shortcoming in Oregon wholesale sales and is taking steps to improve focus on WVV produced products. Management believes the focus on purchased wines for resale which produced higher than expected results with an increase in revenues in the first quarter of 2005 of 130% detracted from monitoring and maximizing sales activities on WVV produced products. Willamette Valley Vineyards produced wine increased in Oregon wholesale sales by 5% in the first quarter, or approximately half of the budgeted increase.

Retail revenues were flat due to lower sales by the Company's Key Customer Sales Representatives (KCSRs). Tasting Room sales increased 9% in the first quarter of 2005 as compared to the prior year period. The management has filled the KCSR vacancies in April and expects improved financial performance.

RESULTS OF OPERATIONS

Revenue

Winery Operations

The Company's revenues from winery operations are summarized as follows:

| | Three months ended March 31, 2005 | 2004 |
|-------------------------------|--------------------------------------|-------|
| Tasting Room and Retail sales | _____ | _____ |

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| | | |
|-------------------------------------|--------------|--------------|
| & Rental Income | \$ 333,897 | \$ 327,759 |
| On-site and off-site festivals | 46,001 | 49,969 |
| In-state sales | 1,236,792 | 901,827 |
| Out-of-state sales | 721,704 | 597,179 |
| Custom crush /bulk wine /misc sales | 90,440 | 9,015 |
| | 2,428,834 | 1,885,749 |
| Less Excise Taxes | 53,756 | 42,123 |
| | \$ 2,375,078 | \$ 1,843,626 |
| Net Revenues | ===== | ===== |

Tasting room and retail sales, and rental income for the three months ending March 31, 2005 increased 2% compared to the prior year period. Tasting room and retail sales increased during the first quarter of 2005 due primarily to increased customer traffic flows and higher customer purchases in the tasting room.

On-site and off-site festival sales for the first quarter of 2005 decreased 8% compared to the prior year period. This decrease is due primarily to the continuing focus away from on-site and off-site events, in favor of telephone, mail order and retail sales.

Sales in the state of Oregon, through the Company's independent sales force and through direct sales from the winery, increased 37% in the first quarter of 2005 compared to the prior year period. Sales through the Company's independent sales force alone for the first quarter of 2005 increased 39% to \$1,076,550 compared to \$774,270 for the prior year period. This increase is largely the result of the broader product lines presented through the development of Bacchus Fine Wines.

Out-of-state sales in the first quarter of 2005 increased 21% compared to the prior year period as a result of increased promotional allowances offered to distributors by the Company and higher depletions through the Company's distributors during the first quarter of 2005.

Excise taxes

Excise taxes increased 25% in the first quarter of 2005 to \$53,756 compared to \$43,123 for the prior year period due primarily to increased sales, thereby increasing overall sales volumes and taxes calculated based on volume.

Gross Profit

Winery Operations

As a percentage of revenue, gross profit for winery operations decreased to 46% in the first quarter of 2005 as compared to 52% in the prior year period. While the Company is continuing its focus on and improved distribution of higher margin products as well as continuing to reduce grape and production costs, we anticipate the Company's increased representation of brands other than its own through its Oregon sales force will further erode the gross margins due to the lower margins associated with selling those brands. While the gross margin may erode due representation, the Company anticipates that net incomes will not follow that trend.

Selling, General and Administrative Expense

Selling, general and administrative expenses increased 29% to \$892,422 in the

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first quarter of 2005 from \$689,764 in the first quarter of 2004. As a percentage of revenue from winery operations, selling, general and administrative expenses increased to 38% in the first quarter of 2005 from 37% in the first quarter of 2004. This increase is primarily due to higher fixed wholesale delivery costs and increased shipping costs.

Interest Income, Other Income and Expense

Interest income decreased to \$165 for the first quarter of 2005 compared to \$1,203 for the prior year period because of the decrease in notes receivable. Interest expense decreased to \$65,783 in the first quarter of 2005 compared to \$76,382 in the prior year period primarily due to less debt outstanding during the period.

The Company's other income is summarized as follows:

| | Three months ended March 31, | |
|-----------------------------|------------------------------|-----------|
| | 2005 | 2004 |
| Farm Credit interest rebate | \$ 17,336 | \$ 14,504 |
| Miscellaneous rebates | - | 302 |
| Other income | 17,336 | 14,538 |

Income Taxes

Incomes tax expense was \$59,173 for the first quarter of 2005 compared to \$83,681 for the prior year period due to the Company's net profit for the first three months in 2005. The Company's estimated tax rate for the first quarter of 2005 and 2004 was 40 percent.

Liquidity and Capital Resources

At March 31, 2005, the Company had a working capital balance of \$6.5 million and a current ratio of 3.03:1. At December 31, 2004, the Company had a working capital balance of \$6.4 million and a current ratio of 2.87:1. The Company had a cash balance of \$913,191 at March 31, 2005 compared to a cash balance of \$851,492 at December 31, 2004.

Total cash provided by operating activities in the first quarter of 2005 was \$131,637 compared to \$143,186 in the prior year period, primarily as a decrease in net income and higher depreciation in the first quarter of 2005 compared to the prior year period. Cash provided by operating activities in the first quarter of 2005 consisted of net income of \$88,759 plus depreciation of \$139,197 less changes in assets and liabilities and other non-cash charges of \$96,319. Cash provided by operating activities in the first quarter of 2004 consisted of net income of \$125,521 plus depreciation of \$166,667 less changes in assets and liabilities and other non-cash charges of \$149,002.

Total cash used in investing activities in the first quarter of 2005 was \$29,294 compared to \$118,207 in the prior year period. Cash used in investing activities consisted of property and equipment additions and vineyard development costs.

Total cash used in financing activities in the first quarter of 2005 was \$40,644 compared to \$57,924 in the prior year period. Cash used in financing activities primarily consisted of payments on the long term debt and additions to the line of credit.

At March 31, 2005, the line of credit balance was \$1,265,059, on maximum

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borrowing of \$2,000,000. The Company has a loan agreement with Umpqua Bank that contains, among other things, certain restrictive financial covenants with respect to total equity, debt-to-equity and debt coverage, that must be maintained by the Company on a quarterly basis. As of March 31, 2005, the Company was in compliance with all of the financial covenants.

As of March 31, 2005, the Company had a total long-term debt balance of \$2,521,114 owed primarily to Farm Credit Services. This debt was used to finance the Hospitality Center, invest in winery equipment to increase the Company's winemaking capacity, complete the storage facility, and purchase Tualatin Vineyards.

At March 31, 2005, the Company owed \$466,668 on grape contracts. This amount is primarily owed to a single grape grower, which will be paid as the wine made from those grapes is sold.

The Company believes that cash flow from operations and funds available under its existing credit facilities will be sufficient to meet the Company's foreseeable short and long term needs.

Critical Accounting Policies:

The foregoing discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, collection of accounts receivable, valuation of inventories, and amortization of vineyard development costs. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A description of our critical accounting policies and related judgments and estimates that affect the preparation of our financial statements is set forth in our Annual Report on Form 10-KSB for the year ended December 31, 2004.

ITEM 3

Controls and Procedures

a) We carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer, Chief Financial Officer and other management personnel, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934 as of March 31, 2005. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer initially concluded that our disclosure controls and procedures as of March 31, 2005 were effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

The Company does not expect that its disclosure controls and procedures will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the

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realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The Company considered these limitations during the development of its disclosure controls and procedures, and will continually reevaluate them to ensure they provide reasonable assurance that such controls and procedures are effective.

b) There were no changes in the Company's internal control procedures over financial reporting that occurred during the period ended March 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except as noted above.

PART II. OTHER INFORMATION

Item 1

Exhibits

The exhibits filed herewith are listed in the Exhibit Index following the signature page of this report.

ITEM 5

Other Information

Non-Audit Fees:

The Audit Committee of the Board Of Directors has approved the following non-audit services, which are being performed by Moss Adams, our independent accountants, during the calendar year ending December 31, 2005:

- Income tax advisory services related to: income tax returns

SIGNATURES

Pursuant to the requirements of the Security Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLAMETTE VALLEY VINEYARDS, INC.

Date: May 13, 2005 By /s/ James W. Bernau
James W. Bernau
President

Date: May 13, 2005 By /s/ Sean M. Cary
Sean M. Cary
Controller

EXHIBIT INDEX

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Exhibit

31.1 Certification by James W. Bernau pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

31.2 Certification by Sean M. Cary pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.