

COMPANY PROFILE



INTERNATIONAL WINE ASSOCIATES

GLOBAL WINE INDUSTRY ADVISORS – CORPORATE FINANCE – GENERAL MANAGEMENT – MARKETING – VINEYARD BROKERS

POST OFFICE BOX 1330, 625 HEALDSBURG AVENUE
HEALDSBURG, CALIFORNIA 95448, U.S.A

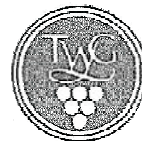
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WWW.INTLWINE.COM



IWA IS THE LEADING PROVIDER OF STRATEGIC ADVISORY, CORPORATE FINANCE AND MERGERS & ACQUISITION SERVICES TO THE NEW WORLD WINE & LIQUOR INDUSTRY AND HAS WORKED WITH THE COMPANIES BELOW AND MANY OTHERS.



IWA BACKGROUND

- INTERNATIONAL WINE ASSOCIATES (IWA) ESTABLISHED IN 1990 BY ROBERT NICHOLSON; TEAM OF 5 PROFESSIONALS
- IWA WORKS WITH WINE & LIQUOR COMPANIES & BANKS IN THE AMERICAS, AUSTRALASIA, EUROPE & SOUTH AFRICA
- PROVIDES HANDS-ON CORPORATE FINANCE, STRATEGIC PLANNING, MARKETING, PROJECT MANAGEMENT & GENERAL MANAGEMENT SERVICES; CORPORATE REAL ESTATE LICENSE
- REPRESENTS CLIENTS IN SALE & ACQUISITION OF WINE & LIQUOR INDUSTRY COMPANIES, BRANDS & ASSETS
- TOTAL TRANSACTIONS COMPLETED VALUED AT US\$ 950 + MILLION SINCE 1993 & AT US\$ 350 MILLION + SINCE Q4 2005

ROBERT NICHOLSON

- EXPERIENCED WINE BUSINESS PROFESSIONAL WITH CORPORATE FINANCE, STRATEGIC PLANNING, MARKETING, PROJECT DEVELOPMENT & GENERAL MANAGEMENT EXPERIENCE IN MULTI-CULTURAL ENVIRONMENTS
- AT IWA HAS COMPLETED VARIOUS PROMINENT WINE INDUSTRY TRANSACTIONS VALUED AT OVER US\$ 950 MILLION SINCE 1993 (INCLUDING SALE OF VARIOUS CALIFORNIA & PACIFIC NORTHWEST ASSETS FOR CONSTELLATION BRANDS, THE GREYSTONE BUILDING, OAKVILLE WINERY, GEYSER PEAK, CARMENET, HOGUE, WILD HORSE, BONNY DOON'S *BIG HOUSE* & *CARDINAL ZIN* BRANDS, CLINE'S *RED TRUCK* BRAND & OTHERS) & VALUED AT OVER US\$ 350 MILLION SINCE Q4 2005
- EXPERIENCE IN MOST WINE PRODUCING COUNTRIES & UNDERSTANDING OF GLOBAL TRENDS & OPPORTUNITIES
- WORKED IN FRENCH WINE INDUSTRY 1972-1975 & IN U.S. WINE INDUSTRY SINCE 1976
- BEFORE IWA CORPORATE WINE BACKGROUND WITH LOUIS ESCHENAUER (BORDEAUX), SEAGRAMS (USA & INTERNATIONAL) & CHRISTIAN BROTHERS (CALIFORNIA)
- ENGLISH NATIONALITY

JOSH GRACE

- EXPERIENCE IN WINE INDUSTRY CORPORATE FINANCIAL PLANNING & ACCOUNTING
- SIX YEARS WITH IWA WORKING ON WINERY VALUATIONS & TRANSACTIONS & STRATEGY PLANNING; WORKED ON SALE VARIOUS CALIFORNIA & PACIFIC NORTHWEST ASSETS FOR CONSTELLATION BRANDS, DAVIS BYNUM, *BIG HOUSE* & *CARDINAL ZIN* BRANDS FOR BONNY DOON, *RED TRUCK* BRAND FOR CLINE, WILD HORSE & OTHER SALES IN CALIFORNIA, PACIFIC NORTHWEST, AUSTRALIA & SOUTH AMERICA. BROAD EXPERIENCE IN U.S. & INTERNATIONAL FINANCE & INVESTMENT ADVISORY SERVICES AT IWA; HAS WORKED ON COMPLETED TRANSACTIONS VALUED AT OVER US\$ 315 MILLION + SINCE Q4 2005
- BEFORE IWA FIVE YEARS WITH ROBERT MONDAVI AT CORPORATE LEVEL (FINANCIAL REPORTING & ANALYSIS) & AT MONDAVI'S NAPA VALLEY OAKVILLE WINERY (RESPONSIBLE FOR ALL ASPECTS OF FINANCIAL PLANNING WITHIN THE WINERY & VINEYARD DEVELOPMENT THROUGH PRODUCT COSTING)
- BUSINESS DEGREE WITH EMPHASIS IN ACCOUNTING & CPA CREDENTIAL & BACKGROUND WITH UNOCAL BEFORE ROBERT MONDAVI & IWA
- FINANCIAL EXPERIENCE IN WINE INDUSTRY SINCE 1997
- U. S. NATIONALITY

SALLY O'NEILL NICHOLSON

- AT IWA LICENSED REAL ESTATE BROKER – REPRESENTS CLIENTS IN SALE OF CALIFORNIA WINERY & VINEYARD PROPERTIES (DAVIS BYNUM, KOVES-NEWLAN, HAVENS & OTHERS); HAS COMPLETED WINE INDUSTRY REAL ESTATE TRANSACTIONS VALUED AT US\$ 40 MILLION + SINCE Q4 2005
- 25 YEARS OF CORPORATE EXPERIENCE IN SENIOR MANAGEMENT POSITIONS WITH LUXURY GOODS COMPANIES :
 - RALPH LAUREN
 - CALVIN KLEIN
 - LEVI STRAUSS
- EXTENSIVE EXPERIENCE IN NEGOTIATING U.S. & INTERNATIONAL CONTRACTS (ASIA & EUROPE)
- DEGREE FROM U.C. DAVIS
- U. S. NATIONALITY

IWA PARTIAL CLIENT LIST

U.S.A. :

- CONSTELLATION BRANDS
- BROWN-FORMAN
- FORTUNE BRANDS (Geyser Peak)
- BONNY DOON (Big House & Cardinal Zin)
- CHALONE (Rothschild)
- CHARLES KRUG (Peter Mondavi)
- CLINE CELLARS (Red Truck brand)
- DOMECCQ (ALLIED-DOMECCQ)
- FETZER
- HAVENS WINE CELLARS
- HEUBLEIN (DIAGEO)
- HOGUE CELLARS
- KOVES-NEWLAN WINERY, NAPA VALLEY
- SONOMA - CUTRER
- WILLIAM GRANT
- PARDUCCI
- PASTERNAK (ROTHSCHILD)
- PARAGON VINEYARD
- SKYY SPIRITS (CAMPARI)
- STIMSON LANE (UST)
- TRINCHERO FAMILY ESTATES
- THE WINE GROUP
- WILD HORSE WINERY
- WELLS FARGO BANK

INTERNATIONAL WINE ASSOCIATES

● INTERNATIONAL :

- BANCO BANESTO, SPAIN
- BODEGAS AGE (Banco Banesto), SPAIN
- BODEGAS SALENTEIN, ARGENTINA
- BRL HARDY, AUSTRALIA
- VINA ERRAZURIZ, CHILE
- FOSTERS (MILDARA BLASS), AUSTRALIA
- HARAS DE PIRQUE, CHILE
- CALATRASI, ITALY
- VINA SAN PEDRO (CCU), CHILE
- SOUTHCORP, AUSTRALIA
- EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT, UK
- REYNOLDS, AUSTRALIA
- MASI AGRICOLA, ITALY
- FARMERS MUTUAL GROUP, NEW ZEALAND
- STELLENBOSCH FARMERS, SOUTH AFRICA
- VINA VENTISQUERO (AGROSUPER), CHILE

IWA - EXAMPLES OF WORK

- **Constellation Brands** – served as advisors in 2008 to Constellation in their sale for up to \$234 million of certain California and Pacific Northwest wine assets (**Geyser Peak, Gary Farrell, Buena Vista, Atlas Peak, Columbia Winery, Covey Run & Ste. Chapelle**) to Ascentia Wine Estates, a new Sonoma, California based private firm;
- **Demuth Winery** – represented this Anderson Valley winery in sale to a private investor in 2008
- **Davis Bynum** – represented the company in sale of the brand to Klein Vintners in 2007 & the winery/vineyard property to an international buyer in 2008
- **Chateau Potelle** – represented winery in sale of assets to Kendall-Jackson in 2007
- **Hedin Ranch** – represented sale of this Russian River vineyard to Rudd in 2007
- **Bonny Doon** - represented company in sale of **Big House & Cardinal Zin** wine brands in 2006 to The Wine Group; retained to value & sell the brands;
- **Havens Wine Cellars** - represented company in the 2006 sale of this Napa Valley brand to Billington Imports; retained to value & sell the winery & brand;
- **Koves-Newlan Winery** – represented company in 2006 sale of Napa Valley winery estate & vineyard; retained to value & sell the assets;
- **Cline Cellars** – represented company in sale of California’s fast growing **Red Truck** wine brand in 2005 to Axiom; retained to value & sell the brand;
- **Skyy Spirits (Campari)** – retained in 2005 to evaluate a \$ 100 million spirits brand acquisition; developed extensive models & financial scenarios;
- **Wild Horse Winery** – represented Volk family in their \$ 34 million sale in 2003 to Fortune Brands (Jim Beam); retained to value the company & sell the winery;
- **Wells Fargo Bank** – retained as strategic financial advisors to the bank in the De Loach Chapter 11 bankruptcy filing in 2003;

IWA - EXAMPLES OF WORK

- **Haras de Pirque** – retained to provide financial & strategic advisory services to this ultra premium Chilean winery (winery valuation, etc.) in 2003;
- **Chalone (Domaines Baron Rothschild)** – represented company in their 2002 sale of **Carmenet**, an ultra premium California wine brand, to Beringer Blass & their Vintage Lane winery to private buyer; retained to value & sell the brand & winery;
- **The Hogue Cellars** – represented Washington's 2nd largest winery in their \$ 40 million sale to Canada's Vincor in 2001; retained to value the winery & sell the company;
- **Parducci** – provided interim general management in 2000 & 2001; represented winery in their 2001 sale of over \$ 10 million of assets;
- **Vina Ventisquero (Agrosuper)** – retained since 2001 to develop marketing plans & screen target partners in major global markets; resulted in development of fastest growing brand of Chilean wine in UK (500,000 cases pa) & innovative new product launch for USA (**Root:1**);
- **Reynolds** – retained to develop marketing plans, screen target partners, make approaches & negotiate agreement for this Australian winery; negotiated global j/v with Sutter Home in 2000;
- **Masi** – retained by this leading Italian wine company to develop business plans for their Argentine vineyard venture from 1999 to 2001;
- **Chalone (Domaines Baron Rothschild)** – retained to value Washington's Canoe Ridge Vineyards, a j/v between Chalone & local partners; on completion of valuation in 2001 Chalone bought out their WA partners;
- **Farmers' Mutual Group (The Crossings) New Zealand** – structured distribution agreements in USA & UK for 2002 product launch;

IWA - EXAMPLES OF WORK

- **Chalone (Domaines Baron Rothschild)** – retained to locate ultra premium Napa vineyard; acquired famous Hewitt Vineyard in Rutherford for \$ 15 million in 2000;
- **Stellenbosch Farmers Winery** – provided global strategy services to South Africa's 3rd largest wine company in 1999;
- **Fosters Mildara Blass California** – established winemaking operations (financials, product development, marketing & brand development, source grapes & production capacity) in 1997 & acquired Napa Valley vineyard development property in 1998;
- **Jim Beam (Fortune Brands)** - served as strategic financial advisor and provided due diligence services on Fortune's \$ 98 million acquisition of **Geyser Peak Winery** in 1998; provide strategy advice on growing their wine business 1998-2000;
- **European Bank for Reconstruction & Development & ING Baring** – provided financial & due diligence services on US\$ 61.5 million debt & equity financing of **Domaine Boyar**, Bulgaria's largest wine producer & exporter in 1998;
- **Fosters Mildara Blass Chile** - developed j/v financial structure, initiated approaches, screened targets & represented Mildara in structuring a j/v with Santa Carolina in 1997;
- **Southcorp/Paragon** – retained as Project Manager for development of joint-venture business plans & marketing/sales plans 1996 – 1999;
- **Fosters Mildara Blass** – following Mildara acquisition by Fosters retained in 1996 & 1997 to develop international wine strategy (Phase I - j/v in Chile & winemaking operations in California);

IWA - EXAMPLES OF WORK

- **Paragon Vineyard** – represented & developed joint-venture financial structure, made approaches/screen candidates and negotiated deal with final target (Southcorp) in 1996;
- **Errazuriz (Chile)** – retained to provide advisory & planning services in structuring their j/v in Chile with Robert Mondavi (USA) in 1995;
- **Charles Krug (Peter Mondavi)** – repositioned **CK Mondavi** brand (marketing, packaging, product development, etc.) in 1995; brand then grew from declining annual sales of 150,000 cases to over 750,000 cases by 1998;
- **Southcorp** – retained to analyse over 25 U.S. winery targets for possible acquisition by Australia's largest wine company in 1993; developed U.S. acquisition strategy;
- **Vina San Pedro (Chile)** – retained to 1) locate an international wine making team to improve quality (retained Jacques Lurton), 2) to develop new international packaging & 3) to locate a U.S. importer & negotiate a contract in 1993 & 1994;
- **Heublein (Diageo)** – retained to sell Napa Valley assets valued at \$ 25 million – sold the historic Greystone Building to Culinary Institute of America & the Oakville Winery to local vineyard group (now Napa Wine Company) in 1993;
- **Bodegas AGE (Banco Banesto)** – retained to develop U.S. marketing plans, locate a new importer & negotiate a contract for Rioja's largest winery in 1990 & 1991;
- **Banco Banesto Vina San Pedro (Chile)** – retained to value Chile's 3rd largest winery & to locate international strategic investors in 1990 & 1991;

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Company Profile: incorporated in 1990 and headquartered in the California wine country, **INTERNATIONAL WINE ASSOCIATES** is the leading provider of strategic advisory, corporate development and mergers and acquisition services to the *New World* wine and liquor industry. **IWA** provides hands-on corporate finance and general management strategy services to the leaders of wine and liquor industry clients on a worldwide basis. Over the years IWA has been retained by multinational companies, small family owned wineries and leading banks to improve their business. Since 1993 IWA has initiated, advised on and structured various prominent wine and liquor industry transactions and joint ventures in the U.S. and overseas with a combined value of over US \$950 million. Engagements range from only a few months to extensive advisory projects of three years or more. **IWA** is committed to providing strategic solutions and delivering results for our clients. Our integrated approach combines global advisory expertise with in-depth wine industry knowledge and independently recognized excellence in research.

Wine Industry Experience: **IWA** works with wine industry clients in the Americas, Australasia, South Africa and Europe. **IWA** offers a team of experienced business and financial managers and has served companies of all sizes in the wine and liquor industry. Robert Nicholson is the Principal of **IWA**. He has held senior positions in U.S. and international companies and has thirty years of corporate management and consulting experience in the industry. Before establishing **IWA**, Mr. Nicholson was Vice President of Christian Brothers in California. He also held positions with Seagrams in the U.S.A. and overseas and with Louis Eschenauer in France. Mr. Nicholson is an active industry commentator at U.S. and international conferences and has long-standing relationships with company owners and senior management throughout the wine and liquor industry.

Mergers and Acquisitions, Corporate Finance and Strategic Advisory Services: since 1993 **IWA** has initiated and structured numerous transactions and joint ventures in the industry. **IWA** serves as strategic financial advisors, provides company valuations and due diligence services, represents principals in the sale and acquisition of companies, brands and vineyards and completes analysis of investments for clients. **IWA** has a network of contacts throughout the world in the wine and liquor industry and financial community.

Strategic Planning & General Management: **IWA** works with clients as strategic and tactical advisors to the Chief Executive and to the board of directors on the start-up and management of new wine projects, the structuring of joint-ventures, technical and operational issues, on the development of strategic and financial plans and on restructuring companies. **IWA** is capable of assuming either functional or general management responsibilities for clients.

Marketing and Distribution: **IWA** works with companies in the preparation and management of business plans. **IWA** has developed and repositioned wine brands for sale in the U.S. and overseas and has distribution experience in most major wine markets of the world. IWA manages the development of the U.S. market for overseas wine companies who are new to the US. IWA locates distribution and joint venture partners and negotiates and structures agreements.

ROBERT M. NICHOLSON

BACKGROUND: Robert Nicholson is an experienced business professional with marketing, corporate finance, strategic planning, general management and team building experience in multi-cultural environments. Qualified by thirty years of corporate management experience (Eschenauer in Bordeaux, Seagrams in New York & Christian Brothers in California) and by working with multinational beverage companies on a project basis, with a pragmatic, consensus oriented style and good organizational and analytical skills. Has completed wine industry transactions with a combined value of over US\$ 950 million since 1993 and over US\$ 300 million since Q4 2005. Experience in most wine producing regions of the world with an understanding of global wine industry trends and opportunities (Americas, Europe, South Africa and Australasia). Background includes:

- **Strategic and tactical advisor** to the CEO and Board of Directors of global wine companies since 1990
- **Wine industry financial advisor** - transactions initiated & completed valued at over US\$ 950 million
- **Project Manager and team leader** of specialist wine industry management groups for banks and wineries
- **Represent clients in the sale & acquisition** of wine industry assets, i.e. Constellation (in their \$ 234 million sale in 2008 of Geysers Peak, Buena Vista, Gary Farrell and Atlas Peak in California, Columbia Winery and Covey Run in Washington & Ste. Chapelle in Idaho), The Greystone in St. Helena, Oakville Winery, the acquisition of Geysers Peak by Fortune Brands, Cline Cellars (*Red Truck* wine brand), Bonny Doon (*Big House & Cardinal Zin* brands) sale to The Wine Group, Chateau Potelle sale to Jackson, Davis Bynum, Havens Napa Valley, Hewitt Ranch, Parducci, Hogue, Carmentel sale to Beringer, Wild Horse sale to Fortune Brands and others
- **Structuring and development of acquisitions & joint-ventures** for global wine companies, i.e. Jim Beam, Robert Mondavi/Errazuriz, Southcorp, Mildara Blass, Chalone, Sutter Home
- **Financial analysis, winery & brand valuations, due diligence and project analysis** for buyers, sellers & banks, in U.S. for Constellation, Wells Fargo, Geysers Peak, Bonny Doon, Cline, Chalone, David Bynum, Havens, Wild Horse, Parducci, Hogue, in Chile for Banco Banesto/San Pedro, Haras de Pirque, in Europe for EBRD/ING Baring for Boyar in Bulgaria and others
- **Project development** in North & South America
- **Twenty-five years experience in wine industry strategic planning** for large and small companies
- **Wine industry brand management**, market positioning, image development and winery retail sales
- **Set-up and management of distributor networks** in the Americas, Europe and the Far East

PRESENTATIONS MADE BY ROBERT NICHOLSON AT WINE INDUSTRY CONFERENCES

- 2006 **Wines of South Africa Annual General Meeting, Paarl, South Africa** - *"USA Market & Potential for SA Wines"*
- 2006 **6th Cool Climate Conference on Viticulture & Oenology, Christchurch, NZ** - *"Global Perspective"*
- 2005 **Allied Grape Growers Annual Meeting 2005, California** - *"Current U.S. Wine Market Trends"*
- 2005 **Vinexpo Wine Trade Conference 2005, Bordeaux** - *"Consolidation – a U.S. Perspective"*
- 2004 **Wine evolution 2004 Conference, Paris** - *"Current Wine Industry M & A Trends"*
- 2002 **Wine Industry 2002 Symposium, California** – *"Current Winery Deal Making Environment"*
- 2002 **Wine evolution 2002 Conference, London** - delivered keynote address
- 2001 **Wine Market NOW ! Marketing Conference, California** - *"Trends for New World Wines"*
- 2001 **CPA Wine Industry Conference, California** - *"Insights from the Investment Advisor"*
- 2000 **5th Cool Climate Conference on Viticulture & Oenology, Melbourne, Australia** - *"The Global View"*
- 1999 **Securities Institute, Adelaide, Australia** - *"World Supply & Demand – A U.S. Perspective"*
- 1999 **Univ. of Calif. Agricultural Issues Center, Davis, California** - *"Wine Brands - California & Australia"*
- 1999 **Salomon Smith Barney Investor Conference , Sydney, Australia** - *"U.S. Wine Market Dynamics"*
- 1999 **Sonoma Grape Growers Assoc., California** - *"Changing Times for New World Wines"*
- 1999 **American Society of Appraisers, California** – *"Global Demand & Supply Scenarios"*
- 1998 **AWIT Conference, Sydney, Australia** – *"Australia – The Brand"*
- 1998 **Wine & Spirits Asia 98, Singapore** – *"Global Wine Demand & Supply Scenarios"*
- 1997 **Fundacion Chile, Santiago, Chile** - *"International Potential for Chilean Wines"*
- 1997 **Merrill Lynch Investment Conference, Sydney, Australia** - *"Success of Imported Wines in the USA"*
- 1997 **Wine Industry Financial Symposium, California** - *"Hooking Up With an International Partner"*
- 1996 **Wine Australia "Export Success", Sydney, Australia** - presented U.S. market workshop
- 1996 **Australia "Strategy 2025" Conference, Sydney, Australia** - panel member - investment seminar
- 1995 **Wine Industry Outlook Conference, Canberra, Australia** - delivered keynote address
- 1994 **Wine Industry Financial Symposium, California** - presented export market workshop
- 1991 **International Wine Exporting Conference, Adelaide, Australia** - presented U.S. market workshop

JOSH GRACE

BACKGROUND: Josh Grace is a Project Manager–Corporate Finance at IWA with a background in financial planning and accounting. In addition to recently working on the sale of various California & Pacific Northwest assets for Constellation Brands, sale of Demuth in the Anderson Valley, Davis Bynum to Klein Family Vintners, Chateau Potelle to Kendall-Jackson, Bonny Doon's *Big House* & *Cardinal Zin* brands to The Wine Group, Havens sale to Billington, Cline's *Red Truck* wine brand sale to Axiom, Josh also worked on the sale of Wild Horse Winery to Fortune Brands in 2003. At IWA he has worked on winery projects throughout California, in the Pacific Northwest, Australia and South America. These projects vary from winery sales, acquisitions, brand development, valuations to financial consulting. Josh has worked on wine industry transactions with a combined value of US\$ 315 million since Q4 2005. He studied business administration at California Polytechnic State University with a concentration in accounting and after spending three years in a manufacturing business in Southern California, Josh joined Robert Mondavi in Napa, California in 1997. He spent five years at Mondavi, working at both the corporate level, performing extensive financial reporting and analysis, and several years with Mondavi's flagship Oakville brand. At Oakville, Josh was responsible for all aspects of financial planning within the winery from vineyard development plans through product costing. This breadth of experience has allowed him to work on a number of strategic and financial projects since he joined IWA in early 2002, focusing on different aspects of the U.S. and international wine industry. Josh currently manages a number of US and overseas projects at IWA.

2002 – current **INTERNATIONAL WINE ASSOCIATES**, Healdsburg, California

Project Manager – Corporate Finance While with IWA Josh has managed a number of projects, both vineyard and winery related. In 2008 he has worked on the sale of various California & Pacific Northwest assets for Constellation Brands and in 2007 he worked on the sale of Demuth, Davis Bynum, Chateau Potelle & the Hedin Ranch, in 2006 he worked on the sale of *Big House* and *Cardinal Zin* brands and the sale of Havens Napa Valley, in 2005 on the sale of the *Red Truck* brand and in 2003 on the \$35 million sale of Wild Horse Winery to Fortune Brands. Josh also worked with Wells Fargo as an advisor in the DeLoach bankruptcy in 2005. Focusing on potential investment opportunities in the wine business, Josh has presented projects to all of the largest wine and spirits companies in the world. Such projects entail extensive research, financial analysis and valuation, and development of Information Memoranda and Financial Modeling. Josh has performed numerous valuations for wineries, both in California and overseas, that have been used by IWA clients to establish an asking price for their assets.

1997 – 2002 **ROBERT MONDAVI** Napa, California

Financial Manager / Financial Analyst In this role, Josh worked closely with Mondavi's production and vineyard teams to prepare long-range and annual plans for a 350,000 case brand. Josh analyzed proposed vineyard acquisitions and new product profitability. Utilizing financial models that he designed, Josh was able to produce and forecast costs for various activities in the vineyards and winery that previously had been unknown. Interactions with teams from multiple disciplines were common and Josh was exposed to employees in all aspects of the wine industry.

1994 – 1997 **UNOCAL CORP.** Brea, California

Financial Accountant – Management Trainee Program In Unocal's Management Trainee Program, Josh had a number of financial assignments, designed to give him a broad exposure to the business. Responsibilities included preparing reports, auditing accounts, and supervising clerical staff.

EDUCATION CALIFORNIA POLYTECHNICAL STATE UNIVERSITY San Luis Obispo, California

Bachelor of Science degree in Business Administration, Accounting concentration -Graduated June 1994.

CPA EXAM 1994

Passed all four parts of the unified CPA examination.

SALLY NICHOLSON

BACKGROUND: Sally Nicholson is a Licensed Real Estate Broker at IWA and specializes in the sale and acquisition of winery and vineyard properties for clients. In the past 24 months, Sally has represented Napa Valley, Sonoma and Mendocino sellers in winery/vineyard transactions valued at over US\$ 40 million. Sally has 25 years of experience in brand development and marketing of luxury goods and held a number of senior management positions with direct report responsibility to Calvin Klein and Ralph Lauren. Sally was also a Design Consultant to Levi Strauss & Co. in San Francisco on their Dockers Division. Sally has broad professional experience in Australasia, Europe, and the U.S. with a comprehensive knowledge of the wine business. Background includes:

- Licensed Real Estate Broker with sales of over US\$ 40 million of Sonoma & Napa Valley winery/vineyard assets completed since Q4 2005, including Demuth, Davis Bynum, Chateau Potelle, Havens, Koves Newlan & others;
- 25 years of senior management, forecasting and consulting services to the international luxury goods industry;
- Design Consultant to the **Dockers Division at Levi Strauss & Co.**, increasing annual revenues on the Women's Dockers brand from \$30 million to \$280 million in 4 years;
- Brand Development at **Calvin Klein** Jeans; Design Director of the joint venture between Calvin Klein and Puritan Fashions (Carl Rosen), increasing annual wholesale revenues from \$ 30 million to \$ 300 million in 24 months;
- Brand Development at **Ralph Lauren** Western Wear; Merchandise Manager and Design Director of Ralph Lauren Western Wear, a joint venture between Ralph Lauren and Don Fisher / The Gap;
- Brand Development and Design Consultant of the Sally O'Neill brand in Japan; a licensing agreement with Akagawa-ei of Osaka, Japan;
- Brand development of the Chevies brand in New Zealand; a licensing arrangement with Prue Acton Designs and Wilson Trading Co. of Auckland;
- Management, product development and marketing experience in Australia, New Zealand, France, Japan and USA;
- Contributing editorials to international luxury good journals;

EDUCATION UNIVERSITY OF CALIFORNIA, DAVIS – Davis CA
Bachelor of Science degree in Design – Graduated June 1971

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CORPORATE FINANCE ADVISORS TO THE GLOBAL WINE INDUSTRY
Total transactions valued at over US \$ 950 Million

 <p>Sold Certain California & Pacific Northwest Wine Assets (Geyser Peak, Buena Vista, Gary Farrell, Atlas Peak, XYZin, Columbia Winery, Covey Run & Ste. Chapelle) to</p> <p>Ascentia Wine Estates</p> <p>IWA served as advisors to Constellation</p> <p>June 2008</p>	<p>Klein Family Vintners has acquired</p>  <p>A Russian River Wine Brand Healdsburg, California</p> <p>IWA initiated & served as strategic advisors to Davis Bynum in this transaction & sold the winery & vineyard assets to a private investor in a separate transaction.</p> <p>March 2008 August 2007</p>	<p>Jackson Family Farms has acquired</p> <p>CHATEAU POTELLE WINERY a Napa Valley Winery</p> <p>IWA initiated this transaction & served as strategic financial advisors to Chateau Potelle</p> <p>September 2007</p>
<p>Leslie Rudd has acquired</p> <p>Hedin Vineyard Healdsburg, California</p> <p>IWA initiated this transaction & served as strategic advisors to Hedin</p> <p>April 2007</p>	<p>Billington Imports has acquired</p>  <p>HAVENS a Napa Valley Winery</p> <p>from</p> <p>Mobius Partnership</p> <p>IWA initiated this transaction & served as strategic financial advisors & broker to Mobius</p> <p>December 2006</p>	<p>The Wine Group has acquired</p> <p>Big House & Cardinal Zin California Wine Brands from</p>  <p>IWA initiated this transaction & served as strategic financial advisors to Bonny Doon</p> <p>August 2006</p>
 <p>Napa Valley, California has been acquired by</p> <p>A Private Investor</p> <p>IWA initiated this transaction, acted as strategic financial advisors to Koves-Newlan</p> <p>June 2006</p>	<p>585 Wine Partners has acquired</p> <p>red truck a California Wine Brand from</p>  <p>IWA initiated this transaction & served as strategic financial advisors to Cline Cellars</p> <p>December 2005</p>	<p>A Private Investor has acquired the</p> <p>Hillview Vineyard Property Napa Valley, California</p> <p>IWA served as financial advisors to the seller</p> <p>November 2005</p>
<p>a subsidiary of</p>  <p>has acquired</p>  <p>Templeton, California</p> <p>IWA initiated this transaction & acted as strategic financial advisors for Wild Horse</p> <p>August 2003</p>	 <p>IWA served as financial & strategic wine industry advisors to Wells Fargo Bank in the DeLoach Vineyard bankruptcy</p> <p>Spring & Summer 2003</p>	 <p>has sold the Carmenet brand to</p> <p>Beringer Blass Wine Estates</p> <p>IWA initiated this transaction & served as exclusive financial advisors to Chalone</p> <p>September 2002</p>

<p>a subsidiary of Vincor International Inc. has acquired</p>  <p>Prosser, Washington</p> <p>IWA initiated this transaction & served as exclusive financial advisors to Hogue</p> <p>September 2001</p>	<p>Beckstoffer Vineyards has acquired the Talmadge Vineyard in Mendocino County, California from</p>  <p>IWA initiated this transaction & served as exclusive financial advisors to Parducci</p> <p>January 2001</p>	<p>SUTTER HOME.</p> <p>And</p>  <p>Cabonne Limited</p> <p>have established a global joint-venture to produce and market Australian wines. IWA represented Cabonne</p> <p>December 2000</p>
<p>Chalone Wine Group</p> <p>has acquired</p>  <p>Rutherford, California</p> <p>IWA acted as strategic advisor and provided due diligence services to Chalone in this transaction</p> <p>February 2000</p>	<p>SONOMA-CUTRER. VINEYARDS</p> <p>has been acquired by</p>  <p>IWA served as advisor & provided a Fairness Opinion to Sonoma-Cutrer</p> <p>March, 1999</p>	<p>Mildara Blass Ltd.</p> <p>has acquired Napa Valley Vineyard development property from</p> <p>Juliana Vineyards St. Helena, California</p> <p>IWA acted as advisor to Mildara Blass</p> <p>September 1998</p>
<p>a subsidiary of</p>  <p>has acquired</p>  <p>Geyserville, California</p> <p>IWA acted as strategic advisor and provided due diligence services to Jim Beam</p> <p>August 1998</p>	<p> European Bank for Reconstruction and Development</p> <p>has provided debt and equity financing to</p>  DOMAINE BOYAR <p>Sofia, Bulgaria</p> <p>IWA provided general management, financial & technical due diligence services to EBRD</p> <p>August 1998</p>	 <p>Mildara Blass Ltd.</p> <p>has established winemaking operations in California</p> <p>IWA initiated this transaction & acted as financial and strategic advisor to Mildara Blass Ltd.</p>
 <p>Mildara Blass Ltd. and Vina Santa Carolina S.A.</p> <p>have established a joint-venture to produce and market Chilean wines.</p> <p>IWA initiated this transaction & acted as financial and strategic advisor to Mildara Blass Ltd.</p> <p>June 1997</p>	 <p>and</p> <p>Paragon Vineyard Company</p> <p>have established a joint-venture company to produce and market California wines.</p> <p>IWA represented Paragon and acted as strategic advisor to the joint-venture</p> <p>August 1996</p>	<p>Robert Mondavi Corporation has acquired an interest in</p>  <p>a Chilean Wine Brand from</p> <p>Viña Errazuriz</p> <p>and they have established a joint-venture to produce and market Chilean wines. IWA acted as strategic advisor to Viña Errazuriz</p> <p>October 1995</p>
 <p>IWA served as Financial & Strategic Advisors to Southcorp</p> <p>IWA provided due diligence and financial analysis of the 25 leading USA winery targets for acquisition by Southcorp</p> <p>1993</p>	 <p>has sold</p> <p>The Oakville Winery Oakville, California to Pelissa & Hale</p> <p>IWA & partners initiated this transaction & represented Heublein Inc</p> <p>June 1993</p>	 <p>has sold</p> <p>The Greystone Building St. Helena, California to Culinary Institute of America</p> <p>IWA & partners initiated this transaction & represented Heublein Inc</p> <p>January 1993</p>

MASTERS OF MERGERS & ACQUISITIONS

International Wine Associates (IWA) is an investment advisory and corporate development firm based in the California wine country that offers worldwide services to leading wine industry players. Robert Joseph spoke to Robert Nicholson, the man behind IWA, about where the wine industry is going next.

----- **Wine Business:** How did you get started in this business?

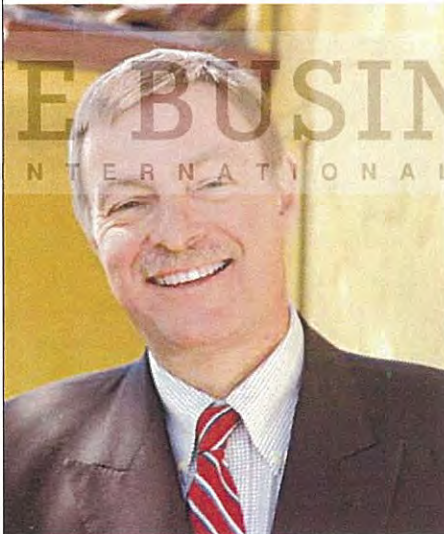
----- **Robert Nicholson:** After 18 years of working for corporate wine companies such as Seagram and Eschenauer, I established International Wine Associates (IWA) in 1990. Our first major merger and acquisitions (M&A) deal closed in 1993 when we were engaged by IDV - instead of the investment bank that had previously done most California wine industry transactions! - to move various Napa Valley assets that included selling St. Helena's famous Greystone Building to The Culinary Institute of America. It was an interesting transaction that brought America's most prestigious cooking school to the Napa Valley. Since then our business has expanded to include corporate finance, strategy planning and project management work for numerous small family owned and large multinational wine companies as well as various banks. We have been lucky enough to have completed wine industry transactions with a combined value of over US\$750m (€557m) since 1993, over US\$200m since 9/11 and over US\$85m in the last 12 months.

----- **Wine Business:** What are the most interesting deals you've been involved with to date?

----- **Robert Nicholson:** All of our deals are fascinating because of the colorful personalities we work for and with. Over the years we have worked on the buy side with major multinationals such as Fortune Brands in their 1998 \$100 million (€75m) acquisition of Geyser Peak and on the sell side for numerous family owned wine companies.

----- **Wine Business:** Internationally?

----- **Robert Nicholson:** In 1993 we worked on an interesting project when we were retained by Ross Wilson, who was running SA Brewing at the time, and Jose Fernandez, who was running their local operation and now manages all of Constellation's American wine business. Ross had just completed assembling the most superb collection of



Australian winery assets, including Penfolds, Lindemans, Seppelts, Wynns and more, that later became known as Southcorp. Ross wanted us to review all major US winery acquisition opportunities and the project included detailed financial analysis of over 25 American wineries, including Beringer, Robert Mondavi and Stimson Lane. Unfortunately, SA Brewing was not a pure wine player at the time and Ross decided to invest in an underperforming water heating manufacturing company

that ended up being a poor investment. However, Ross is one of Australia's all time larger-than-life businessmen who was fascinating and the project allowed IWA to evaluate the financial performance of all the major US wine companies.

----- **Wine Business:** And in Europe?

----- **Robert Nicholson:** Another classic project was working for the European Bank with ING Baring on a \$65m debt and equity due diligence (dd) project for the collective refinancing of Domaine Boyar, the largest Bulgarian wine company. In addition to managing all the strategic, production and financial work, we were engaged to review the local financials that had been prepared by the Sofia office of a major accounting firm, which we had to re-do completely in order for it to make sense to the banks. The investment was for building one new winery, upgrading three other wineries and working capital inventory financing. None of the funds were designated to an improvement of the vineyards, which is where the investment was most needed, because no investment had been made in the vineyards since the 1980s

----- **Wine Business:** Is there a pattern to many of these purchases?

----- **Robert Nicholson:** In a rapidly consolidating global wine industry, where the four largest wine companies worldwide have only a 6% market share, most buyers have a clear idea of what they need to acquire to build their portfolio. Compared to beer where the top four have a 26% market share, or soft drinks where they have a 78%, they know that the sky is open. For example, they might need a Pinot Noir brand, or

more specifically, a Russian River Pinot Noir producer. We categorize buyers into six distinct groups:

- multinationals (global in focus)
 - major wine companies (global or regional in focus)
 - large independent wineries (regional in focus)
 - small independent wineries (local and sometimes regional in focus)
 - financial institutions
 - high net worth groups or individuals
- We work more often for the sellers.

----- **Wine Business:** Isn't it difficult to value the potential of brands to grow in new markets?

----- **Robert Nicholson:** Part of every valuation is the "growth" component, which is usually the most difficult to quantify because the seller's view of what his company or brand can become may be different from what an acquirer thinks is possible.

----- **Wine Business:** How do you value a brand like Red Truck or Cardinal Zin?

----- **Robert Nicholson:** We value brands on the basis of their terminal value, the present day value of their future cash flows, multiples of EBIT or EBITDA or revenues of historical transactions, which are used to check if the terminal value is in the range of acceptable norms. We also use asset value that is based on the brand inventory, bulk wine and case goods, net realizable value plus the goodwill value.

----- **Wine Business:** The South African Kumala brand was a major element in the purchase of Western Wines by the Canadian Vincor and the subsequent purchase of Vincor by Constellation. Do you think the current Kumala performance in the United States justified the purchase?

----- **Robert Nicholson:** Yes, Kumala was a key component in Vincor's acquisition of Western Wines. They believed Kumala would give them UK market access for their other products. However, Vincor overpaid for Western. On the other hand, while Kumala may have been one of a few important reasons for Constellation's acquisition of Vincor, I do not believe that it was the most important component. It was access to

the Canadian wine market through Vincor's 25% market share there that Constellation wanted. Constellation has not yet focused their considerable strength on building Kumala in the USA. This may change with Gallo's introduction of Sebeka from the Swartland cooperative.

----- **Wine Business:** How important is land in the deals you are doing?

----- **Robert Nicholson:** Land is a critical element in high quality winery deals and relates back specifically to the importance of the estate vineyards to



maintain the estate integrity and quality of the specific opportunity.

----- **Wine Business:** How big a factor is distribution?

----- **Robert Nicholson:** Distribution is a key component in any acquisition and will always impact valuations. At a time when the global wholesale and retail network is quickly consolidating, the relative strength that a brand can bring

to a buyer, or the access to a new market sector that it offers, will influence the value a buyer is willing to pay. The synergy in the wholesaler network is also a key valuation driver in the States. Often acquisitions are driven by the market access that the opportunity can bring to the buyer.

----- **Wine Business:** You have brokered a number of interesting deals including the recent sale of Bonny Doon's Big House Red. Considering the price it achieved, it wasn't a huge brand in volume or value terms. What makes a brand like that attractive to purchasers?

----- **Robert Nicholson:** Bonny Doon's Big House sold over 200,000 cases in 2005. It is the best tasting, highest priced generic blended red wine in the United States. At the time of the acquisition the brand was highly profitable, had a strong following with consumers who were looking for a reasonably priced alternative to the corporate generics and had distribution in an upscale group of restaurants and off-sale retail accounts throughout the country. The fact that Big House can be scaled to a much larger volume, at a high retail price in its category, with higher than normal margins, made it an attractive brand to many buyers.

----- **Wine Business:** Some of the prices that have been paid for wine companies in recent years seem to make little sense in terms of potential earnings. Can you explain the rationale behind some of these purchases?

----- **Robert Nicholson:** Certain buyers can extract value, where others cannot. Constellation was reportedly able to absorb Robert Mondavi, for which they paid 15.5 times forward EBITDA, and pay for the acquisition within five years with one third to be paid from Robert Mondavi's cash flow under Constellation ownership, one third by increasing the sales of Robert Mondavi wines in Britain and one third from consolidation synergies through staff reductions and other savings. Foster's acquisition of Beringer, a 12 times forward EBITDA, gave them access to the world's largest wine market and a strong wholesaler network, which subsequently enabled Fosters to acquire Southcorp at 14.9 times forward EBITDA.

INTERVIEW

-----**Wine Business:** The US has not been good at exporting its wines. Might this be an issue if the American market was to one day become less profitable than it is today?

-----**Robert Nicholson:** US wine exports, of which 95% come from California, totalled US\$895m (€665m) for 404.5 million liters in 2006, an increase of 30% in value and 4% in volume over 2005. In Europe, where USA ships more than 50% of its overseas sales, exports surged by 48% in value. Wine exports to Canada grew by 29%. According to British retail statistics, US wines grew by 8% in value off-premise and 18% on-trade. Apparently, the off sale growth was larger than that of any other country and equals a market share of 16%, only slightly below France at 16.4% and the market leader Australia at 22.3%, but with volume growth of only 4% in 2006. California wine exports have grown in value from US\$219m in 1995 to nearly US\$80m in 2006.

-----**Wine Business:** The last few years has seen a plethora of "critter" brands riding on Yellow Tail's coat tails. How many of these have long term value?

-----**Robert Nicholson:** Probably not very many have sustainable value. However, 10 million cases in the USA alone make Yellow Tail pretty special! My thought is these brands have served the industry and consumer well. They

have brought a more light hearted approach to wine marketing and made the product more approachable.

-----**Wine Business:** Philip Bowman, when he was heading Allied Domecq, once said he thought public ownership was inappropriate for the wine business, because of the length of time establishing vineyards, difficulties in changing direction and the vagaries of weather, which are incompatible with the needs of shareholders. What do you think?

-----**Robert Nicholson:** The model Bowman referred to is the "old" style. Most public wine companies are now quickly shedding most of their non-core assets such as vineyards, unless they are core to the estate concept of the brand. Some wineries, for instance, move them off the balance sheet to financial institutions and then lease the assets back.

-----**Wine Business:** Given their famous hunger for cash returns, how much appeal do you think wine businesses have for private equity investors?

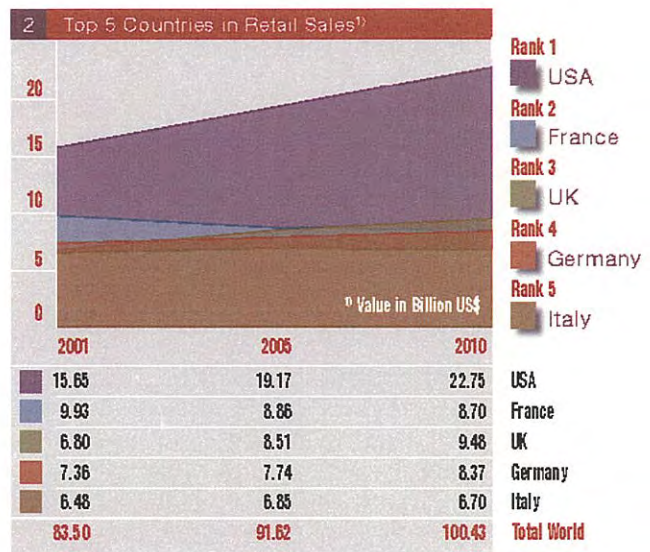
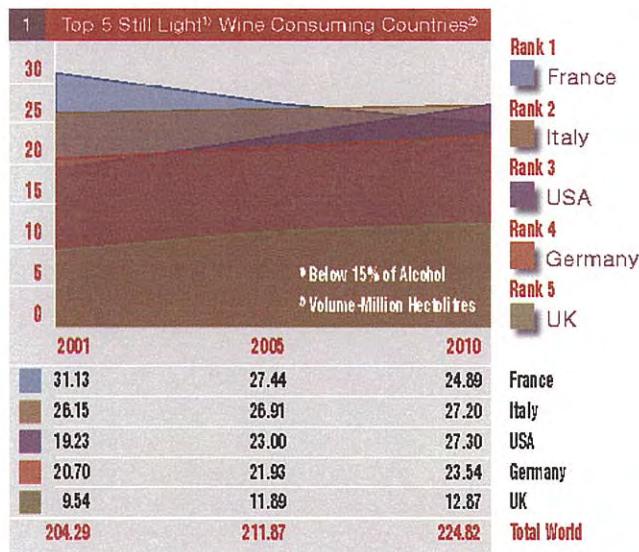
-----**Robert Nicholson:** As the US wine market continues to show strong growth, we are seeing increased interest from private equity groups. Well run super and ultra premium wineries can provide strong returns. The US is the strongest wine market in the world with the largest upside for continued growth. Wall Street is no longer blind to this fact.

-----**Wine Business:** Many observers would say that Napa Valley land is overpriced, which in turn has led to an average price for Napa Valley Cabernet of \$50 per bottle. Are these prices sustainable?

-----**Robert Nicholson:** Large crops in 2005 and 2006 produced an excess of Cabernet Sauvignon that now gives the consumer an opportunity to enjoy \$15-20 bottles of generic Napa Cabernet. However, in 2003 Francis Ford Coppola purchased a Rutherford vineyard from the estate of JJ Cohen, co-founder of MGM Studios, in a deal that represents the highest price ever paid for vineyard land in California, or the New World, at \$350,000 an acre (€650,000 per hectare). Coppola stated "Our goal is to become America's great wine estate, equivalent to a Bordeaux 'first growth', and we have the land and grapes necessary to do so". With land in Pauillac now selling for over \$600-750,000 an acre for the classified growths, we think that Napa still has a long way to go!

-----**Wine Business:** The New World has been far quicker to move into public ownership of wine businesses. Do you see investors taking an interest in Europe where, by US standards, land and businesses might seem cheap?

-----**Robert Nicholson:** Most major European wineries are family owned and have not needed to go to public markets



SOURCE: WINEVINTAGE INDEX 2010

to raise funds to finance their growth. We envisage the emergence of five or six global wine multinationals, who will own assets in most major wine producing regions of the world. All will be participants in the European wine industry. The majors will be followed by a few strong regional companies, who will focus their resources in their own region of origin, but compete throughout the all major markets with the multinationals.

----- **Wine Business:** Europe is loosening up some of its more restrictive wine laws. Will this make investment there more attractive?

----- **Robert Nicholson:** Yes, the international wine companies will all want to invest in Europe. Indian investors, in the shape of UB, have recently bought the sparkling wine firm of Bouvet Ladubay in the Loire - after failing to secure Taittinger - and there are rumors of similar interest from potential Chinese buyers in the west.

----- **Wine Business:** You have predicted that the US will become the biggest wine market in the world by 2008.

----- **Robert Nicholson:** In 2005, the USA ranked third in volume of wine consumed behind France and Italy. By 2010, Vinexpo IWSR project that the USA will grow to become larger than both the UK and France combined.

----- **Wine Business:** Are you confident about those figures?

----- **Robert Nicholson:** Yes, because I am very optimistic about the American consumer's future interest in wine. A recent survey published by Wine Market Council shows that the number of core wine drinkers, that is those who enjoy wine at least weekly, has increased by 32% in the last 24 months. This statistic is particularly encouraging because core wine drinkers, while still only 17.4% of the US population, or 45.2 million people, consume 87% of the wine purchased and have a per capita consumption of over 60 liters per year. There are an additional 44.7 million marginal wine drinkers, who enjoy wine at least quarterly, that consume 13% of the volume. Then there are the 69.7 million beer and spirits drinkers who don't yet consume wine, but who will in the future. In addi-

tion, the survey also revealed the Millennial generation, currently aged 28 and younger, is drinking more wine than previous generations. This important demographic group of 70 million Americans is a key to the continued expansion of the wine market. We may not have enough wine to supply them if they all turn out to be core consumers!

----- **Wine Business:** Most of the M&A has been at the production or brand-owning level. What do you expect to happen to distributors?

----- **Robert Nicholson:** Consolidation at the wholesaler distributor level in the USA has been driven by Southern, Charmer/Sunbelt and a few others. These major companies now have wholesalers in most of the key markets in the States. This expansion has generally been secured through acquiring other wholesale distributors.

----- **Wine Business:** Yellow Tail's American distributor owns a large slice of that brand. Would you advise other would-be exporters to the US to make equity sharing deals?

----- **Robert Nicholson:** Yes. Other than for prestigious, well-known, limited production wineries, it is unrealistic of exporters to the American market to assume their partners will open the market for their brands and provide access to the complicated 50 state whole network without having secured some permanency to the relationship with the brand owners that they represent.

----- **Wine Business:** Can the three-tier system survive?

----- **Robert Nicholson:** The fact is that the three-tier system is legally mandated and will survive in some form. However, there will be further challenges and the system will be slowly eroded. Twenty years ago, only four states allowed for legal, regulated direct-to-consumer wine shipments. Although 33 states now allow such shipments from out of state wineries, just 12 allow retailers to do the same. Currently the Supreme Court, Federal Trade Commission, state alcohol regulators and state legislators have joined consumers to help update the laws originally designed to entrench monopolies. ■