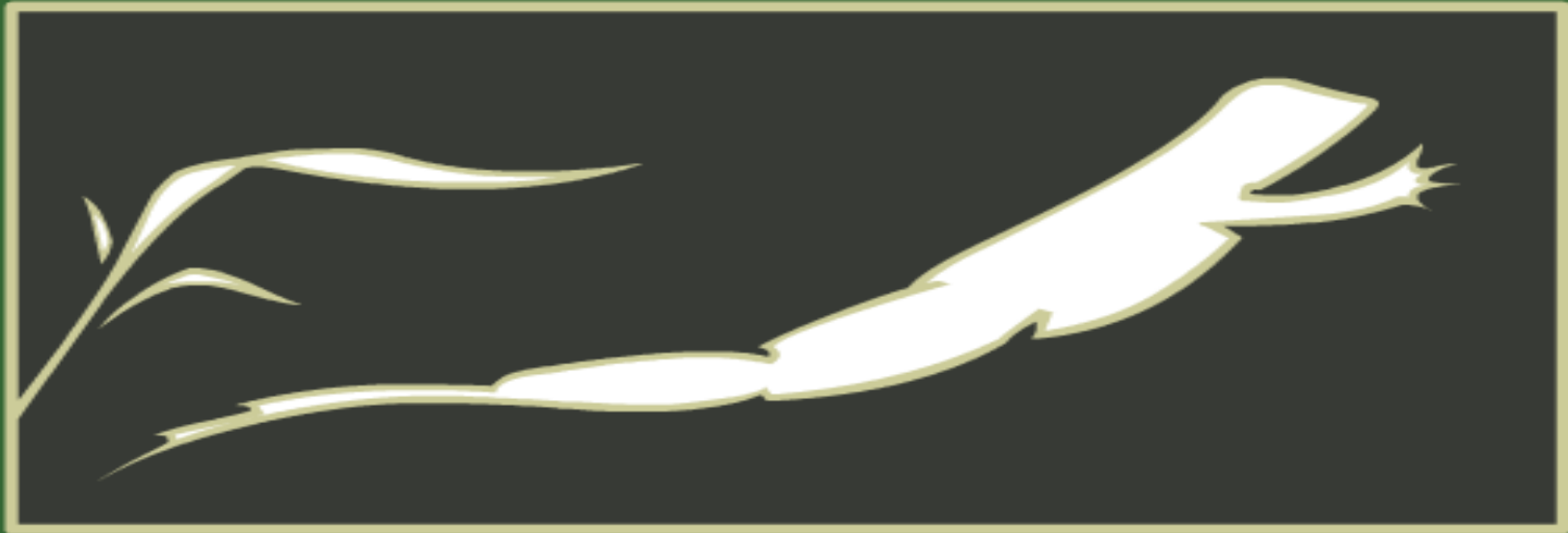


FROG'S LEAP

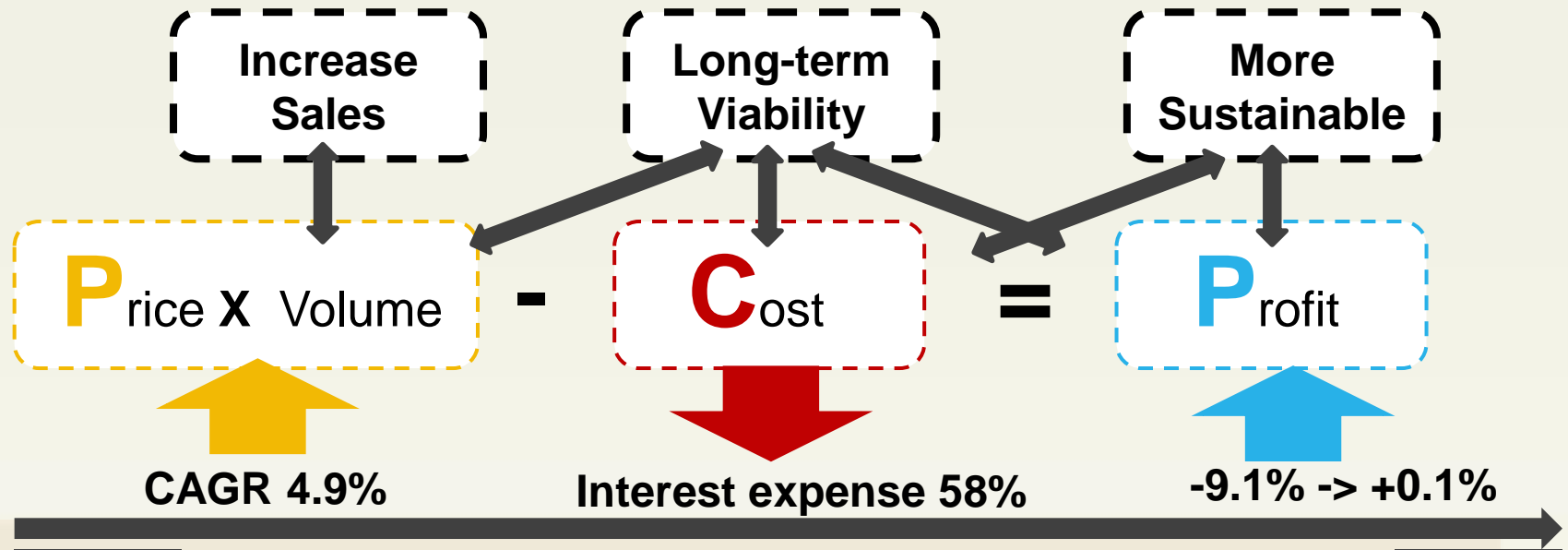


“Hopping Forward”

Fly Consulting Team

Renee Song, Michael To,
Tony Ge, Timothy Tai

FROG'S LEAP GOALS



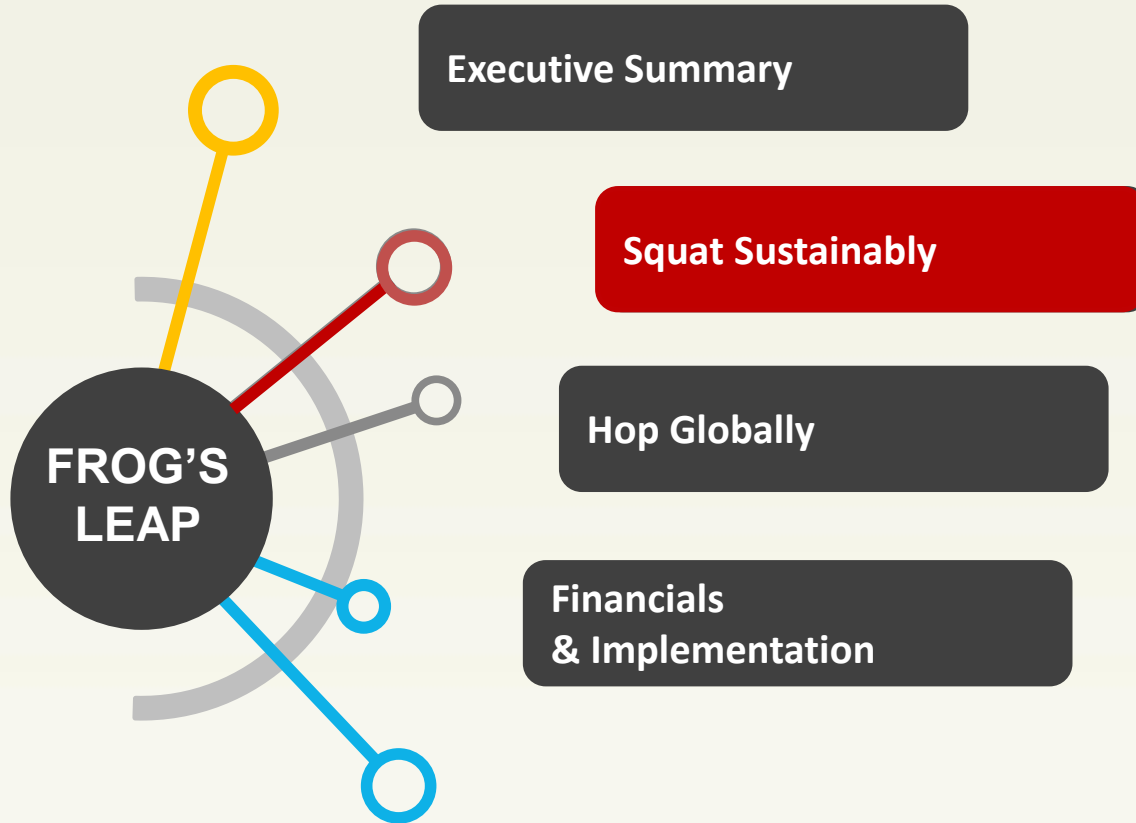
2013

2018



<p>Squat Sustainably</p> <ul style="list-style-type: none"> - No huge investments - Awareness campaign - Capital restructuring 	<p>5 year 4.9% Sales CAGR</p>
<p>Hop Globally</p> <ul style="list-style-type: none"> - Japan: Creating a Niche Market - Vietnam: Untapped Market - Global Marketing 	<p>Japan: 15.7% Sales CAGR</p> <p>Vietnam: 0.6m Sales in 2018 37.1% Sales CAGR</p>

AGENDA **Hopping Forward**



Executive Summary

Squat Sustainably

Hop Globally

Financials
& Implementation

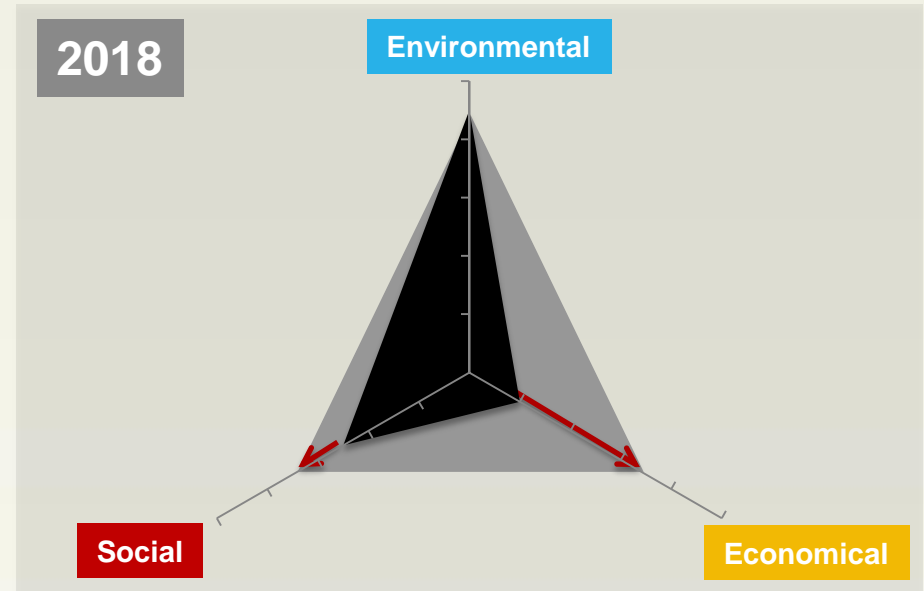
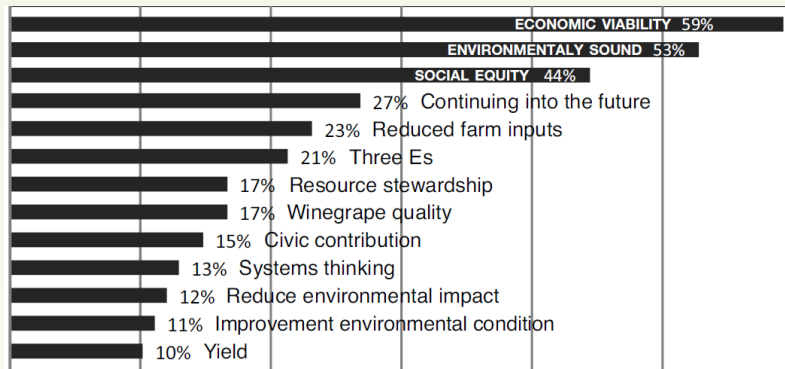
ANALYSIS Sustainability

Current Systems

- Dry farming (no irrigation)
- Organic and biodynamic growing techniques
- Own source of compost
- Geothermal and solar self-sufficient power
- Full-time year-round employment benefits for immigrant employees
- Wine by kegs

Current Recognition

- LEEDS
- Leader in sustainability initiatives



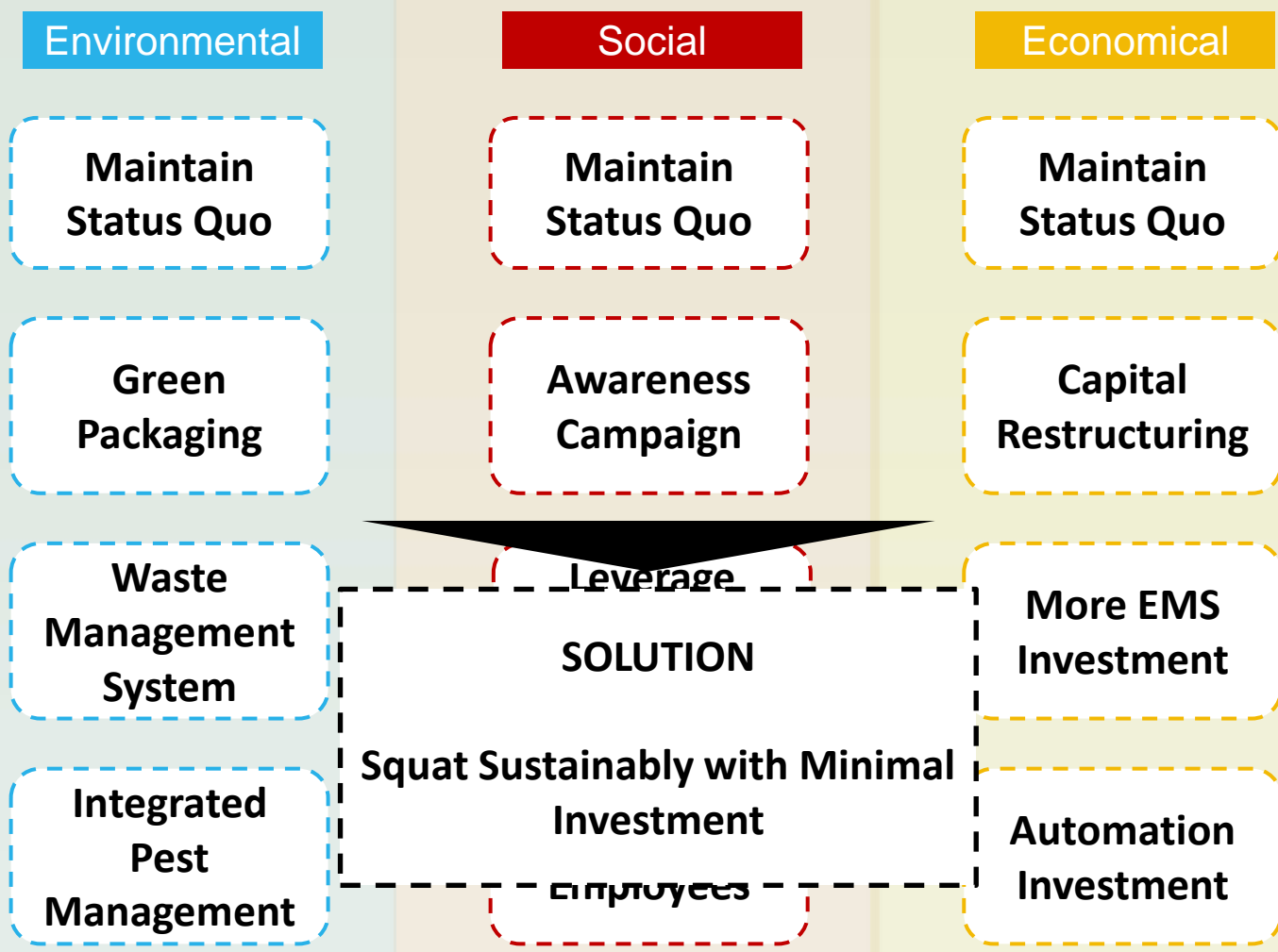
Key Takeaway:
Improve with Minimal Investment

Environmental
 Sufficient 5yrs

Social
 Awareness

Economical
 Urgent

ANALYSIS Sustainability Options



Squat Sustainably Environmental, Social

Cost-efficiency and Social-awareness

Environmental

Social

Economical

Maintain Status Quo

- No heavy investment
- Continue current leading practices
- Maintenance and enhancement

Impact

Continued Savings
\$10,000 yearly

Awareness Campaign

- Leverage California Sustainable Alliance
- Comic story theme
- Sustainability reviews
- Social media engagement



Impact

CAGR 4.9%

Leverage Vineyard Visits

- Overnight B&B
- Fun theme tours
- Cross-sell crops



Squat Sustainably **Economical**

Long-term Economic Sustainability

Environmental

Social

Economical

Capital Restructuring Goals

- Decreased Debt and improved credit line
- Profitability Turnaround in 2018 through Decreasing Interest Expense and Organic Growth
- Introduction of Strategic Investor with Industry Resources
- Control Retained for Heirloom

Wine Corporation Investor

- Higher power in joint venture
- Cannibalism among brands

CASTORO
CELLARS

Private Equity Investor

- More patience to facilitate heirloom
- Willing to Exit

BACCHUS CAPITAL MANAGEMENT

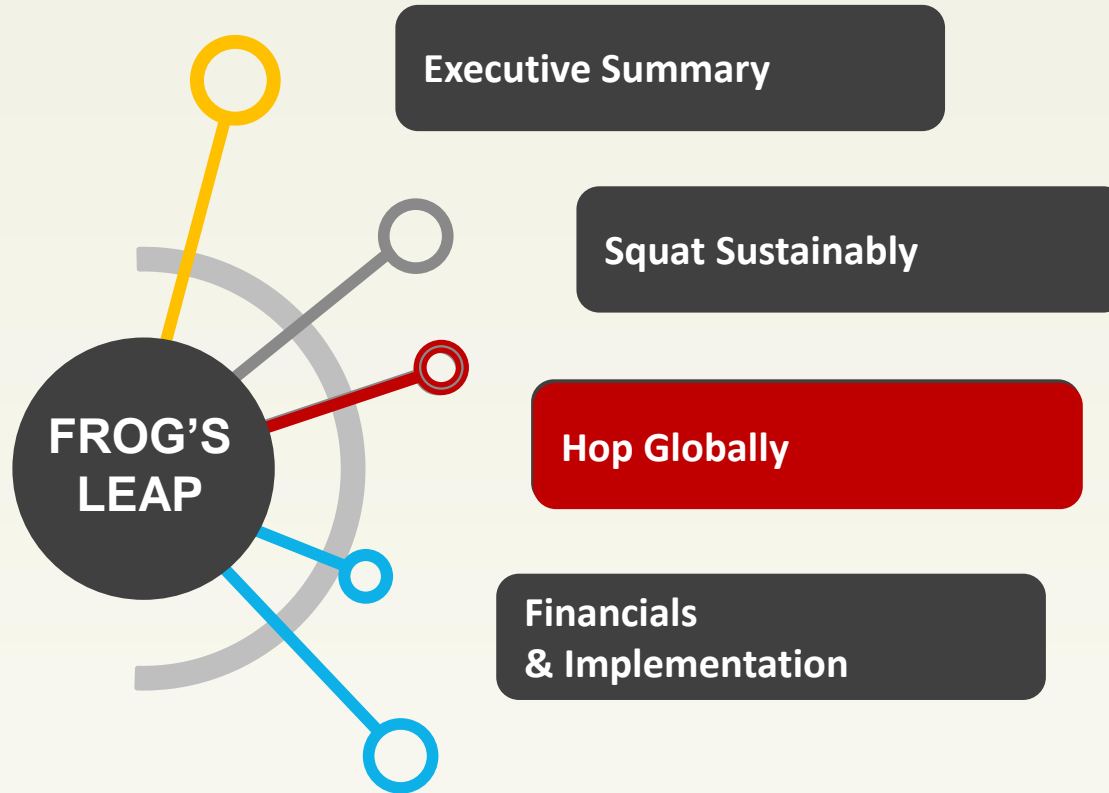
Impact

Cost: **0.1 million**

Long-term Debt decreased by **41% = 8 million**

Interest Expense Decreased by **58% = 0.82 million/year**

AGENDA **Hopping Forward**



ANALYSIS Potential New Markets

Why Expand Globally

More Sales

Higher Pricing

Growing trend

Who Do We Attract



Affluent Families



Generation Y



Business Professionals



Culture



Taste



Income lvl.



Special Needs

How Are Customers Different

Key Takeaway

Major Considerations in Hopping

Financially & Culturally Receptive

Customers Value Environment

Low Hanging Fruit

ANALYSIS Potential New Markets



Criteria of Successful Entry

Possible Markets	Demand	Environ. Awareness	Competition	Entry Barrier	Overall
Brazil	🟡	🟡	🟡	🟡	🟡
Canada	🟡	🟡	🟡	🟡	🟡
China & HK	🟡	🟡	🟡	🟡	🟡
India	🟡	🟡	🟡	🟡	🟡
Japan	🟡	🟡	🟡	🟡	🟡
Russia	🟡	🟡	🟡	🟡	🟡
Vietnam	🟡	🟡	🟡	🟡	🟡

Hop Globally Japan

Creating a niche market: LOHAS Japanese Women

Target Segment: Japanese Women

Health

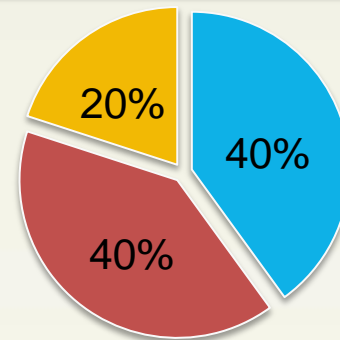


Growth in wine consumption
(25.5% in 2012)

Purchasing Control
(50-80%)

Environment

Product: Localized Product Mix



- Cabernet Sauvignon
- Merlot
- Chardonnay

Impact

2014 incremental Revenue: **1.25 mil**
 Initial Cost: **0.4 mil**
 CAGR: **15.7%**

Pricing

	Current	2018
Case Price	\$384	\$554
Sales Volume	4,960	9,300

Hop Globally Vietnam

Entering the Untapped Market: B2B in Vietnam

Impact

2014 incremental Revenue:	<u>0.49 mil</u>
Initial Cost:	<u>0.50 mil</u>
CAGR:	<u>37.10%</u>

Pricing

	2014	2018
Case Price	\$392	\$424
Sales Volume	1,240	3100

Step 1

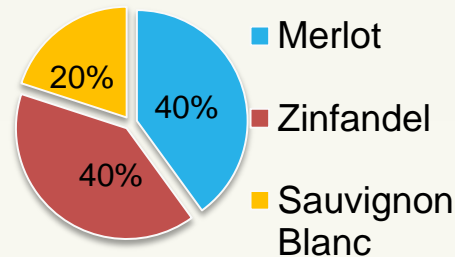
Find Importer/Distributor

Ample & Associates, Ltd

Int'l Trading Development

Step 2

Localized Product Mix



Step 3

Leveraging Networks



Hop Globally Marketing Strategy

Communicating Culture and Sustainability to Customers

Hop on J-POP & K-POP

- Background music in online retail stores



Local Fellowship Chapter

- Wine trips
- Membership score system
- Sustainable FellowFêtes



Interactive Webpage

- Word-of-mouth peer review
- Monthly updated manga storyline
- Incentives to reviewers

Comic Labeling

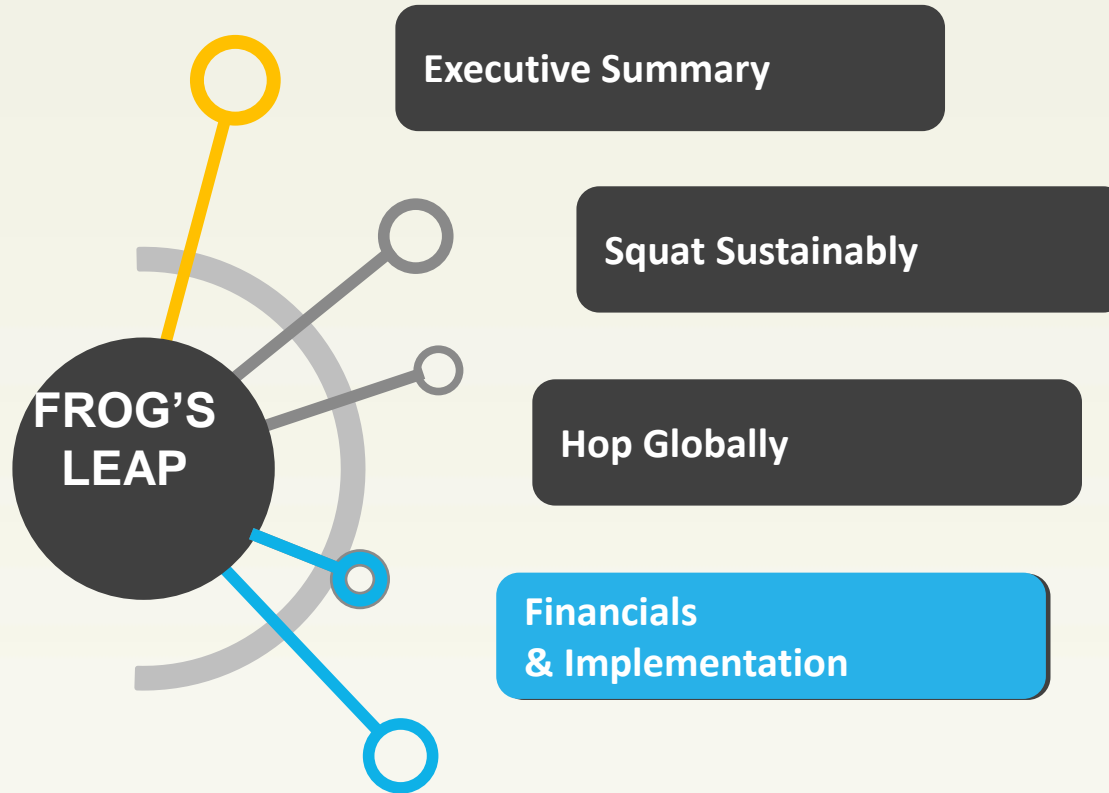
- Illustrate sustainable practices
- Local language
- Produce with recycled paper



Impact

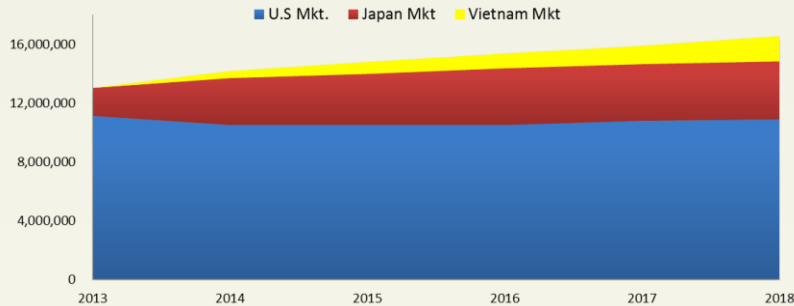
Initial Cost	<u>0.1 mil</u>
Cumulate Sales Increase	<u>1.2 mil</u>

AGENDA **Hopping Forward**



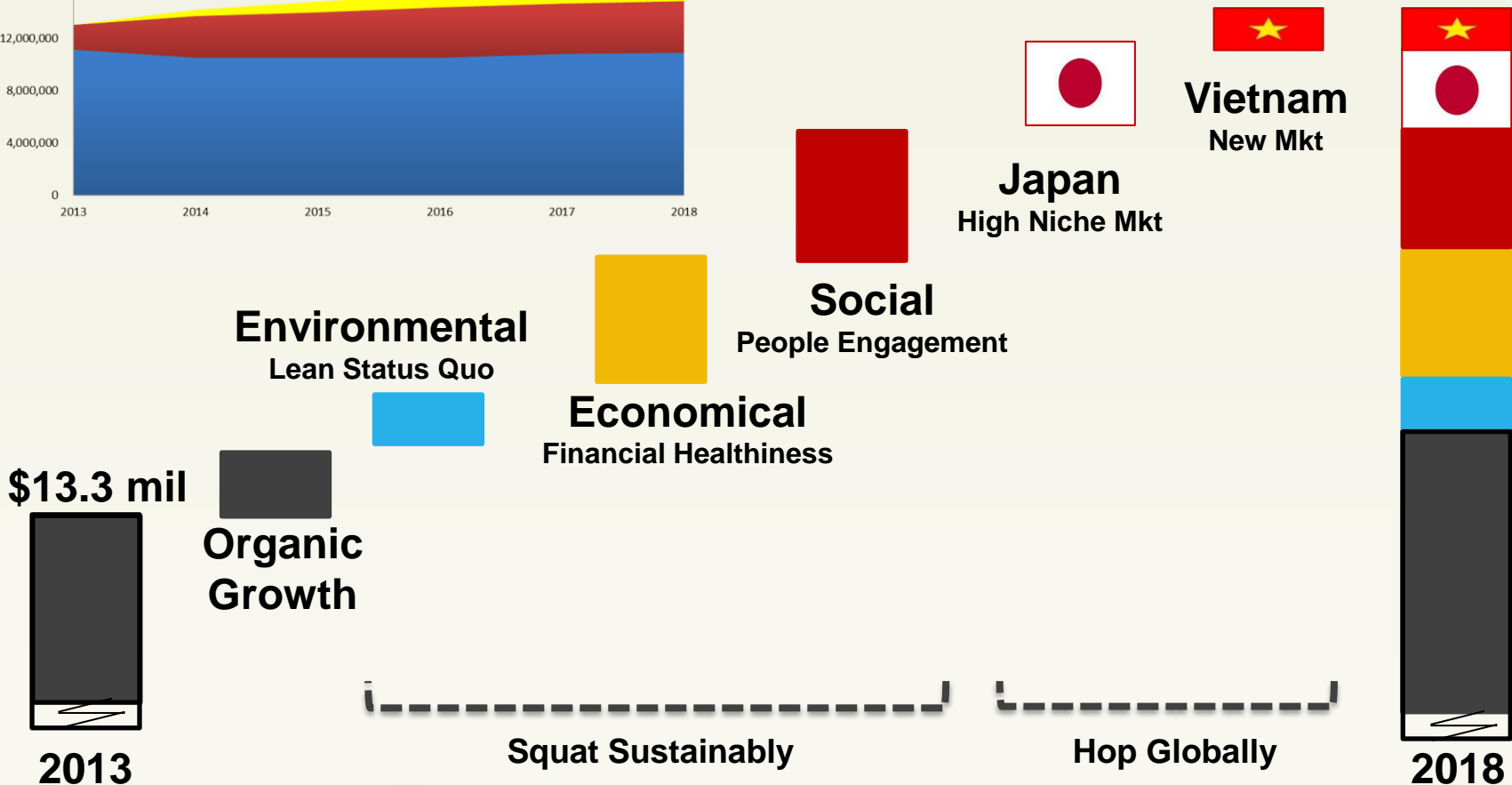
FINANCIALS Sales Projection

2013-2018 Sales Projection by Market



Frog's Leap Revenue

\$15.2 mil



FINANCIALS Financing with Private Equity

Restructuring Proposal

9 million capital injection from PE

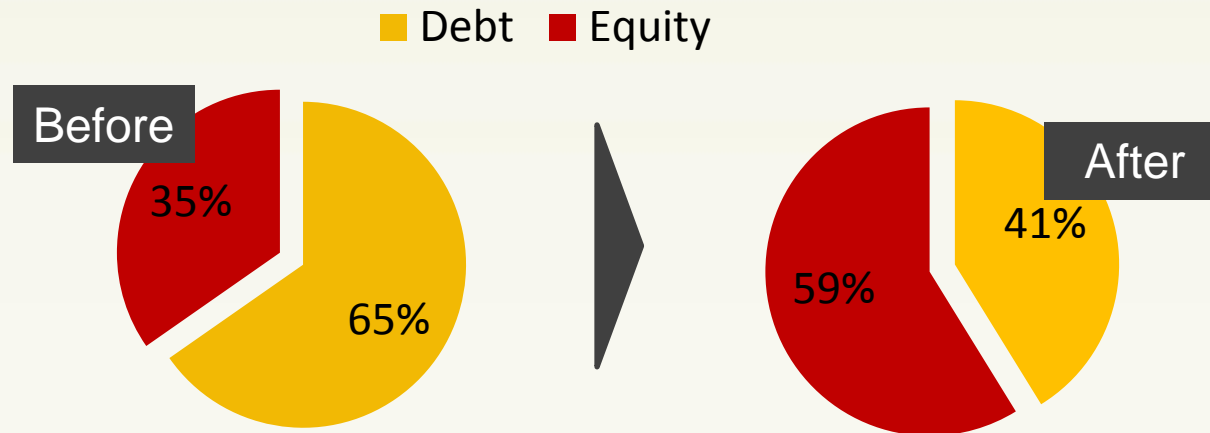
BACCHUS CAPITAL MANAGEMENT

8 million long-term debt redeemed

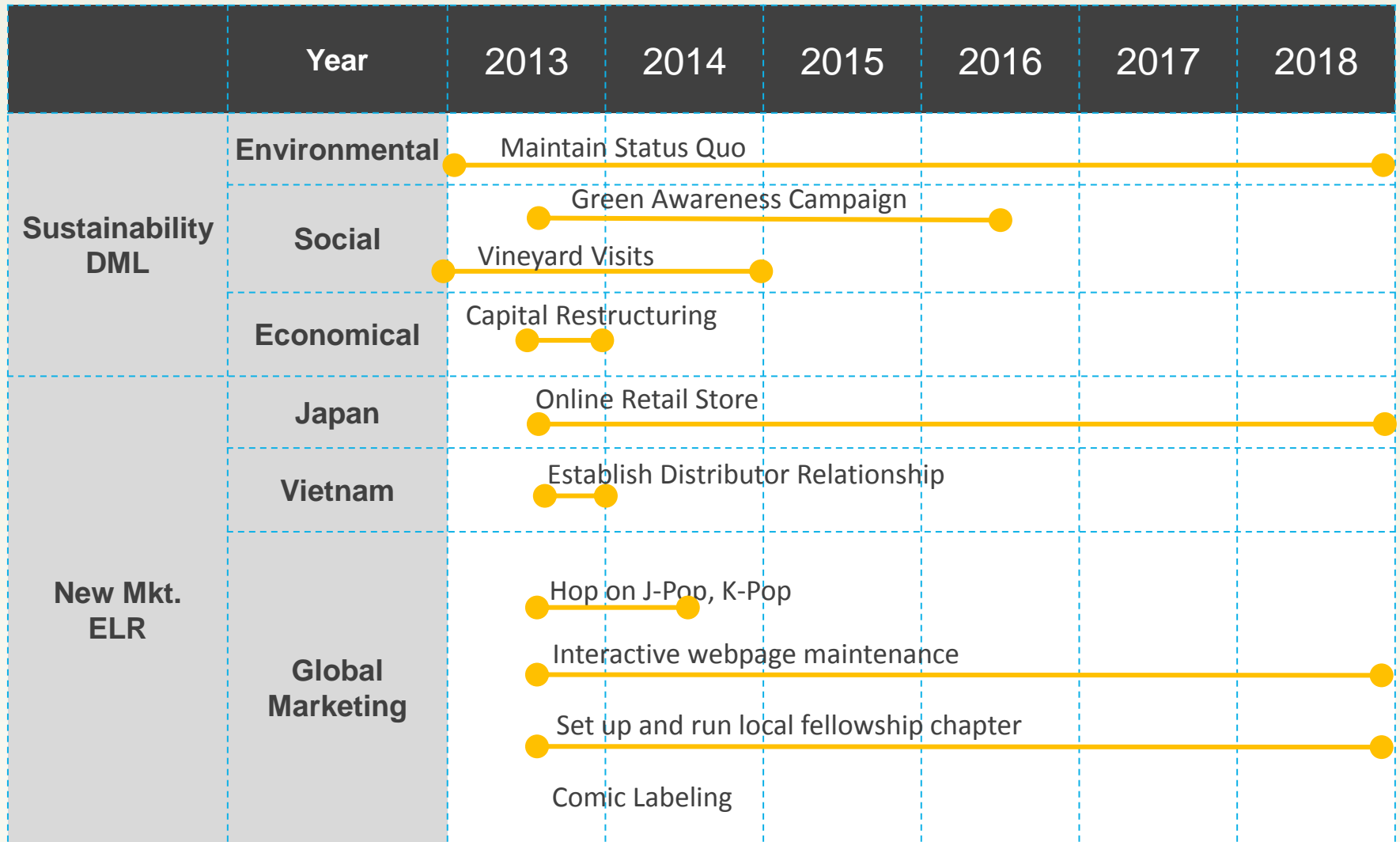
1 million to fuel global expansion

Impact on Frog's Leap

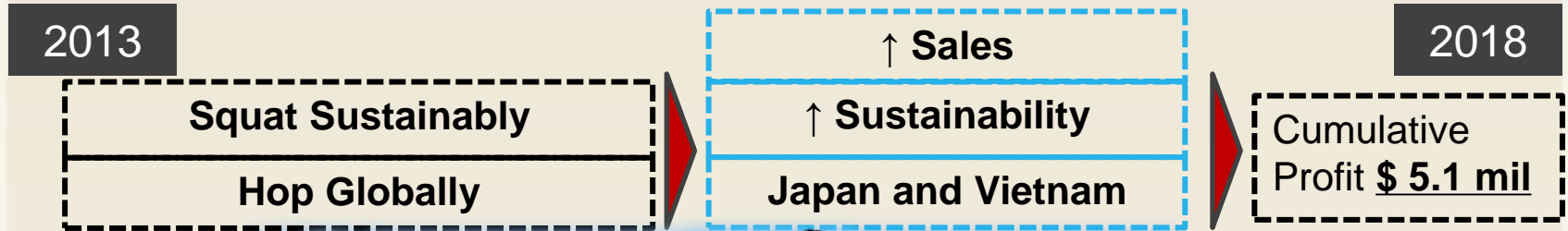
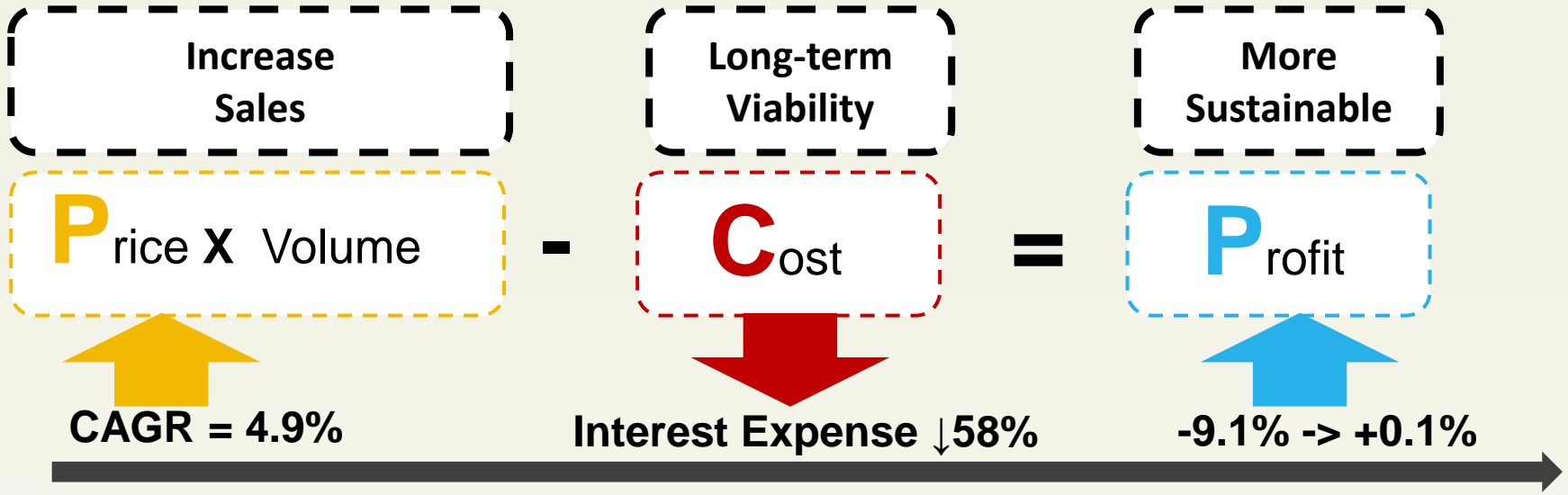
- Long term debt 41% down
- Interest Expense 57.9% down
- D/E ratio decrease from 1.66 to 0.70
- 82.1% - control ownership remained
- Space for profitability recovery



TIMELINE *Leaping Forward*



Hopping Forward



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EMS Investments

Case Study of Coquerel Wines

Frog's Leap Case

Current Systems

- Dry farming (no irrigation)
- Organic and biodynamic growing techniques
- Own source of compost
- Geothermal and solar self-sufficient power
- Full-time year-round employment benefits for immigrant employees
- Wine by kegs

Current Recognition

- LEEDS
- Leader in sustainability initiatives



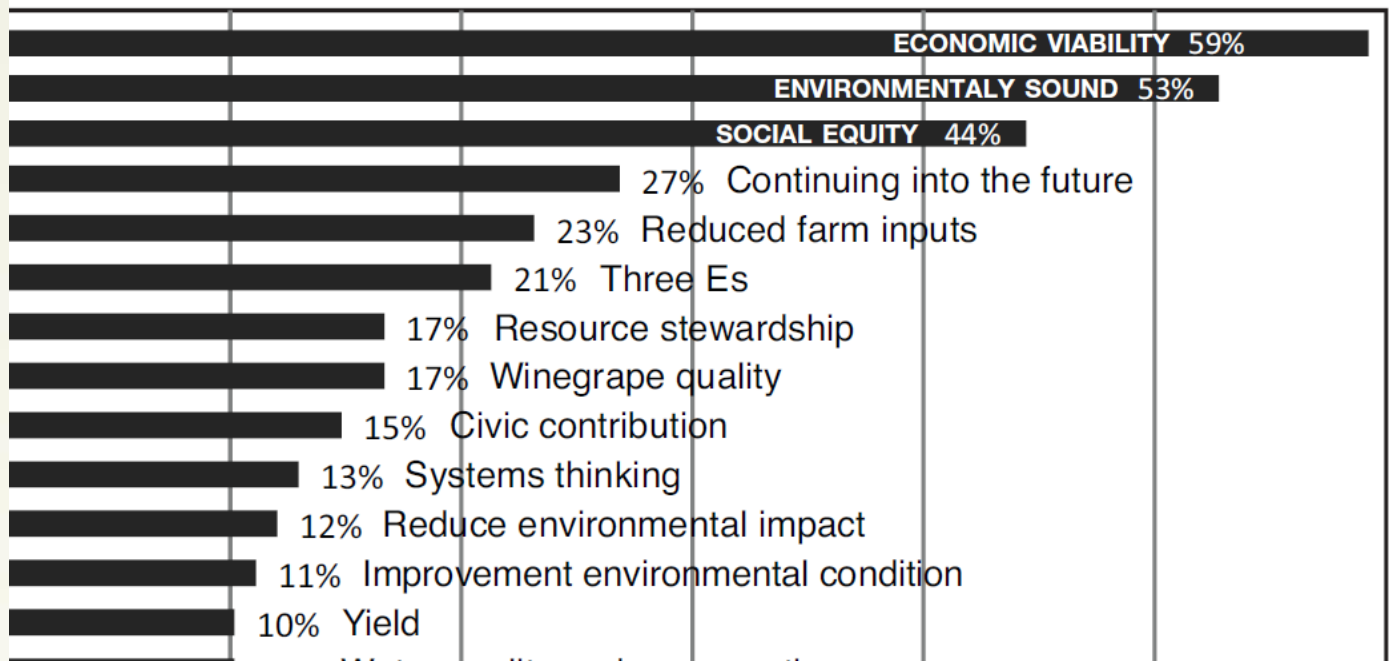
Comparable Features

- Dry farming (no irrigation)
- Organic and biodynamic growing techniques

Source:

<http://www.napavintners.com/estates/coquerel-family-wine-estates/>

Sustainability Importance

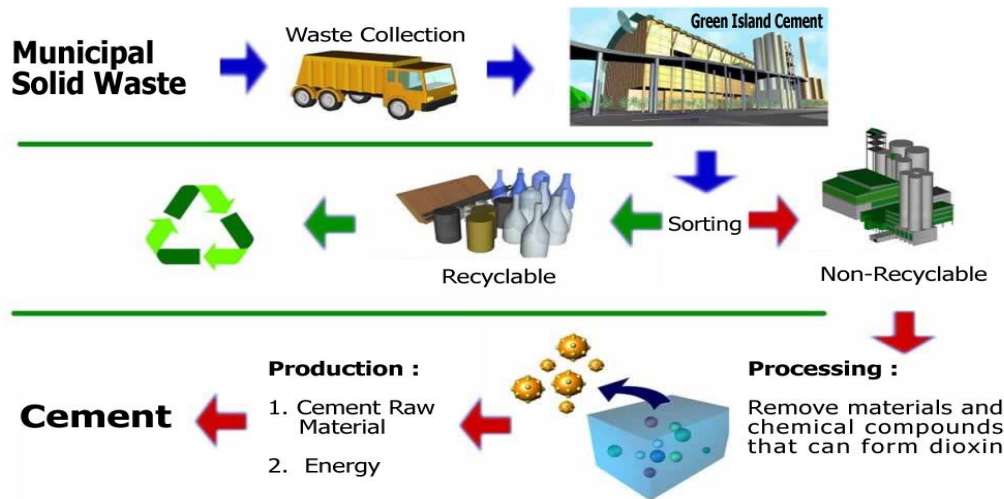


Sustainability Options- Environmental Case Studies

Maintain Status Quo

Waste Management System

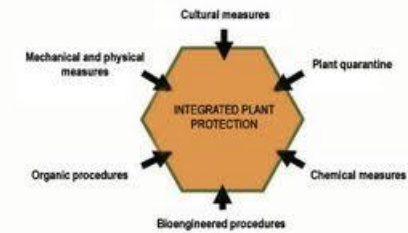
MSW Eco-co-combustion Process



Green Packaging



Integrated Pest Management



ANALYSIS Sustainability Options

Environmental

Status Quo

Green Packaging

Waste Management System

Integrated Pest Management

Pros

- No investment
- Eco-friendly status maintained

- Eco-friendly
- Corresponds with current image

- Operational and capital savings
- Reduction in water usage

- Effective pest control
- Minimal pollution

Cons

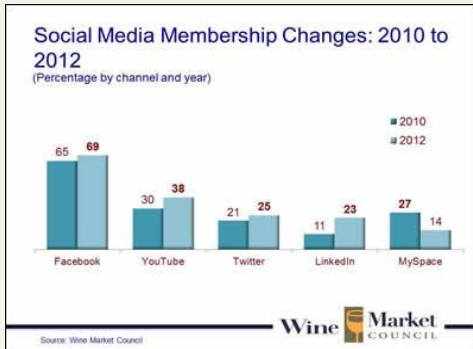
- Slower initiatives in environmental impact (5 yrs only)

- Huge investment costs

- Huge investment costs
- Incremental benefit low

- Huge investment costs
- Not organic

Sustainability Options- Social Case Studies



Hire Local Employees

Case study source:

<http://www.richemont.com/corporate-social-responsibility/case-studies.html>

Awareness Campaign



Green Wine Guide



Leverage Vineyard Visits



ANALYSIS Sustainability Options

Social

Status Quo

Awareness Campaign

Leverage Vineyard Visits

Employee Care

Pros

- No investment

- Increase perceived value
- Brand image

- Increased awareness
- Another source of income

- Loyal employees
- Low turnover

Cons

- Social aspect not particularly good at the moment

- Time costs

- Low operational costs
- Low opportunity costs

- Small incremental benefit as initiatives already in place

Sustainability Options- Economical Case Studies

Economical

Capital
Restructuring



Chile toasts first wine private equity fund- 31 Aug 2011

A Santiago-based wine management and media company is launching the first wine private equity fund in Chile.

From Bloomberg:

"In 2010, investors started showing more receptivity to hard assets, Mota said. 'That's the case we've been making all along; it's a real asset investment much like an allocation to gold, commodities, metals, and other things that have tangible underlying value,' he said."

ANALYSIS Sustainability Options

Economical

Status Quo

**Capital
Restructuring**

**More EMS
Investment**

**Automation
Investment**

Pros

- No investment

- Eco-friendly

- Operational and
capital savings
- Reduction in
water usage

- Effective pest
control
- Minimal pollution

Cons

- Slower initiatives
in environmental
impact (5 yrs only)

- Nil

- Huge investment
costs
- Incremental
benefit low

- Huge investment
costs
- Not organic

Sustainable Solution- Green Awareness Campaign Details



Associate with reviews



Seminars



Social media engagement



Sustainable Solution- Vineyard visit details



Self organize

**Outsource event
planner**

**Partnership with
association**

Sustainable Solution- PE background

Bacchus Capital Management is a San Francisco and New York based investment firm generally, but not exclusively, in the super and ultra premium end of the wine industry which are privately or family held and are seeking sales and/or infrastructure growth or need to manage ownership transitions.

- Flexible, alternative financing
- Operational expertise
- Distribution network relationships of its Principals
- Care to family business heirloom



Name	Role	Years in Wine Industry	Years in Business Restructuring
SAM BRONFMAN	FOUNDING PARTNERS	30	-
PETER KAUFMAN	FOUNDING PARTNERS	-	25
HENRY OWSLEY	FOUNDING PARTNERS	-	20
QUINTON JAY	MANAGING DIRECTOR	15	-
HILARY PECK	DIRECTOR OF MARKETING	20	-
STEVE COUSINS	SENIOR ADVISOR	30	-
MIKE JAEGER	SENIOR ADVISOR	20	-

Sustainable Solution-

Case Study - Sbragia Family Vineyard

- Capital Injection of less than \$50 million for 5% ownership
- Bolster management team
 - Owner Ed Sbragia, focus on making his highly rated wines and brand building
 - Retain Steve Cousins as GM and Tim Allen as CFO
- Assist distribution partner, Treasury Wine Estates, in expanding the reach of the brand
- Long Investment Time Horizon – Operating Partner, rather than Fund



Investor Choices

Winery-focused Private Equities



BACCHUS CAPITAL MANAGEMENT



GI PARTNERS



THE VINCRAFT GROUP

*“Vincraft is structured as an **operating company, not an investment fund.**”*

This means we are not limited by the shorter investment time horizons typical of most investment funds.”

Winery Capital Market Trend

- “51% of the country’s 5,000 or so wineries are poised to **change hands** in the next decade from 2008”
- Consolidation was previously led by publicly-traded conglomerates while recent trends show consolidation now **led by financial and private equity firms**

-- CCG Advisors, The Domestic Wine Industry Merger & Acquisition Market Update, 2012

New Market Analysis- Global Expansion Case Study

- From Grapes to Wine: an Overview of a Chilean Success Story
BRAVO-URETA Boris, JARA ROJAS Roberto, TRONCOSO Javier L.
University of Connecticut, US; University of Talca, CL
- Cases of Chile wineries successful stories in global participation. Their organic viticulture was appreciated and received well when exporting globally.
- The paper then presents an overview of the recent evolution of global wine markets with special attention given to Chile's participation, followed by a discussion of organic viticulture in Chile. the path the Chilean wine industry has followed is consistent with the evolution of market demand, which continues to shift toward higher quality wines, produced in a friendly environment.

New Market Analysis- Preferences

Men vs. Women in Selecting Wine

80% of wine buyers are women. A recent article published by Emerald Group (Women wine consumers: information search and retailing implications) examined the differences in how men and women select wine. It turns out that both men and women view wine as a



high risk purchase. They want to avoid being embarrassed in front of business associates or friends.

Both men and women manage the risk by getting information at the point of purchase—which is where 70% of the purchase decisions are made.

The sources of information tend to differ, however, for men and women. Men have a stronger tendency to read reviews and even books. Whereas women will look more closely at the labels and shelf tags.

Both will rely on country of origin in the absence of other

information. Men are more likely to walk away without making a purchase.

What does this mean for retailers? Have the information available for both men and women at the point of purchase, and make it easy to find.



Wine Shoppers Buy for the Moment

We have seen that for most consumers, the average time from purchase to consumption of a wine is measured in hours, not days, months or years.

The purchase is often made for an occasion - a near-term dinner or a party, not to add to the shopper's wine cellar. Therefore,

retailers who can help shopper buy the wine that is right for the occasion will enjoy repeat business.

Shoppers will consider price, quality and value important. But getting the right wine for the immediate occasion is paramount.



Your Customers Are Online

Online wine sales is currently a small portion of the industry. However, it is growing rapidly, and online retailers can provide information and selection tools not naturally available to traditional retailers. However, traditional retailers

are actually in a great position to compete. Even if they do not wish to sell their wines online, traditional retailers can still post information about their wines, so shoppers can discover and peruse them. If done right, tradi-

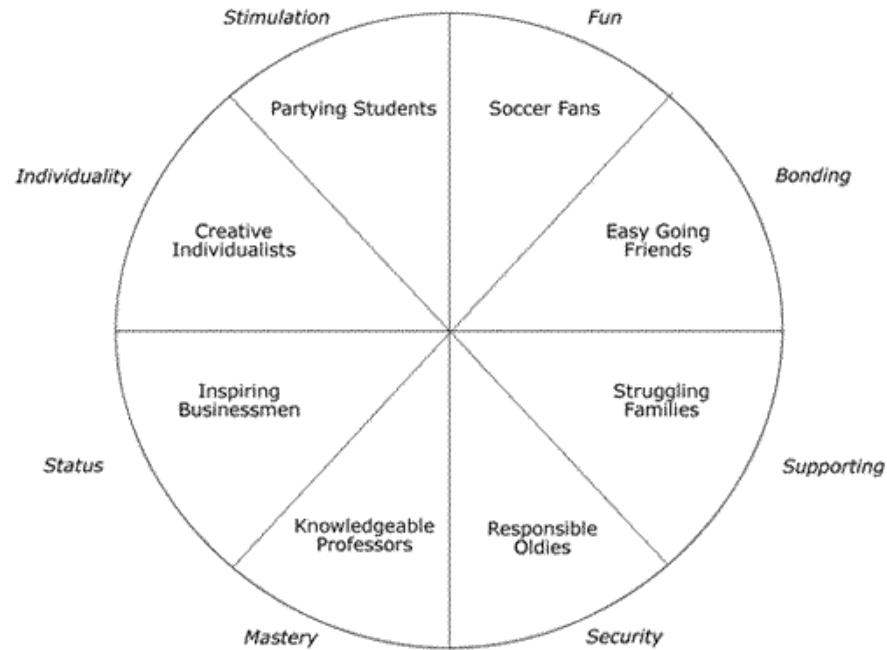
tional retailers can offer the best of both worlds: the ability for consumers to get information online and the convenience of purchasing the wine at the store in order to have it right away.

WINE RETAILING

Source: BUYERSVINE.COM

New Market Analysis- Customer Segments

Wine Market Model



New Market Analysis- Japan

New Market Analysis- Vietnam

New Market Analysis- Why not Canada

Competition in the global wine industry is **fierce**. The world continues to plant grape vines at a record-breaking pace. An emphasis on higher quality, massive plantings has occurred over the past several years, primarily in "New World" wine regions. In the late 1990s, the major "New World" exporting countries of Australia, Chile and the US increased their total international export sales significantly, including to Canada.

Extensive new plantings of classic varietals make the mid- and long-term international markets look very favourable for these three countries, and competition from these, as well as from other "New World" wine producers such as South Africa and Argentina, is expected to increase in the Canadian marketplace. These plantings have created global over-supply, particularly in Western Europe, which has lost market share to "New World" wines.

New Market Analysis- Why not Canada

Canadians top 10 wines are mostly French wines. US wines face fierce competition in Canadian market.

Source: Wine & spirits:
Canada's favourite wines
By Konrad Ejbich



New Market Analysis- Why not China, HK

- A large and expanding middle class, with rapidly rising incomes, gives China appeal as a potential market for wine. Wine consumption per person has doubled over the past five years (Kissel 2005). Even with consumption at just 0.3 litres per person, the size of China's population is sufficient to provide a large market.
 - Much of China's import demand in recent years has been filled by bulk wine from Chile, at around \$0.85 per litre (Heijbroek 2005), although Vetumne International and Associés (2004) suggest that opportunities exist for sales of imported bottled wine. They argue, however, that **establishing brand recognition and competing with the price of domestic wine will not be easy**. China has over 500 wineries, some quite large (USDA Foreign Agricultural Service 2005c).
 - **Joint ventures with international wine companies**, such as Remy Cointreau, provide an avenue for improving vineyard and winery management and thus both wine quality and efficiency.
- *Source: wine industry strategic global directions and Australian outlook to 2010-11, Roger Rose and Wayne Gordon*
- The globalisation of the wine industry: new world, old world and China
Michael Thorpe University of Wollongong in Dubai, Dubai, United Arab Emirates

New Market Analysis- Russian Federation

The Russian Federation is one of the most rapidly growing markets for wine in the world.

For a significant section of the Russian population, increasing incomes provide an opportunity to substitute wine, beer and high quality vodka for moonshine and other low quality spirits (Andrienko and Nemtsov 2005). Historically, as much as 70 per cent of Russia's demand for wine was satisfied by imports from Moldova (Beverage Daily 2004).

Increasingly, though, the Russian Federation is importing wine from EU countries (Vinality 2005), from the United States and other new world producers (USDA Foreign Agricultural Service 2005a).

Over the medium term Russia's demand for wine is expected to continue to increase strongly, given continuing economic growth. USDA Foreign Agricultural Service forecasts a 20 per cent increase in Russia's imports to 2009. Ultimately, though, Russia's aging and declining population will place a limit on its market potential.

Source: wine industry strategic global directions and Australian outlook to 2010-11, Roger Rose and Wayne Gordon

New Market Analysis- India & SE Asia

- Both the potential for market growth and the marketing challenges experienced in Japan and China are exhibited more broadly through India and south east Asia. **Growing populations and increasing consumer incomes** will provide potential markets.
- Yet, none of those populations have a tradition of wine consumption. Over the outlook period, they seem more likely to provide limited markets for wine carefully targeted at particular consumer groups and consumption occasions than to provide an outlet for large quantities of wine made for traditional markets.
- *Source: wine industry strategic global directions and Australian outlook to 2010-11, Roger Rose and Wayne Gordon*

New Market Analysis- Asian Woman

Asian women constitute a new market in the wine industry that is growing in importance, according to the results of a survey conducted by Vinexpo.

The questionnaire sought to identify Asian women's habits, attitudes and expectations with regard to wine, as well as the similarities and differences between the countries they came from.

Developed in partnership with Trendshealth and Elle, the survey interviewed 2,810 female wine consumers above the age of 18 in four countries: China, Hong Kong, South Korea and Japan. 48% of all the women were aged under 30.

Source: www.moodiereport.com

New Market Analysis- Overall Industry

	1985	1995	1996-2000 ^a	2003	2004	2005
Argentina	15,741	16,443	13,456	13,225	15,464	15,222
Australia	4,026	5,028	7,380	10,194	14,679	14,301
Chile	3,500	3,167	5,066	6,301	7,886	7,585
China	NA	NA	9,581	11,600	11,700	12,000
France	69,249	55,610	56,271	46,360	57,386	52,105
Germany	5,402	11,050	9,989	8,191	10,007	9,153
Italy	63,340	56,294	54,386	44,848	53,181	54,021
Moldova	NA	NA	2,151	3,215	3,026	2,300
New Zealand	NA	NA	568	550	1,192	1,020
Portugal	9,744	7,132	6,828	7,340	7,481	7,266
Romania	NA	NA	6,173	5,555	6,166	2,602
South Africa	8,314	7,456	9,091	8,853	9,279	8,406
Spain	33,103	19,640	34,162	41,843	42,988	36,158
USA	17,204	15,800	20,386	19,500	20,109	22,888
World	301,237	246,423	272,517	266,817	300,021	282,276

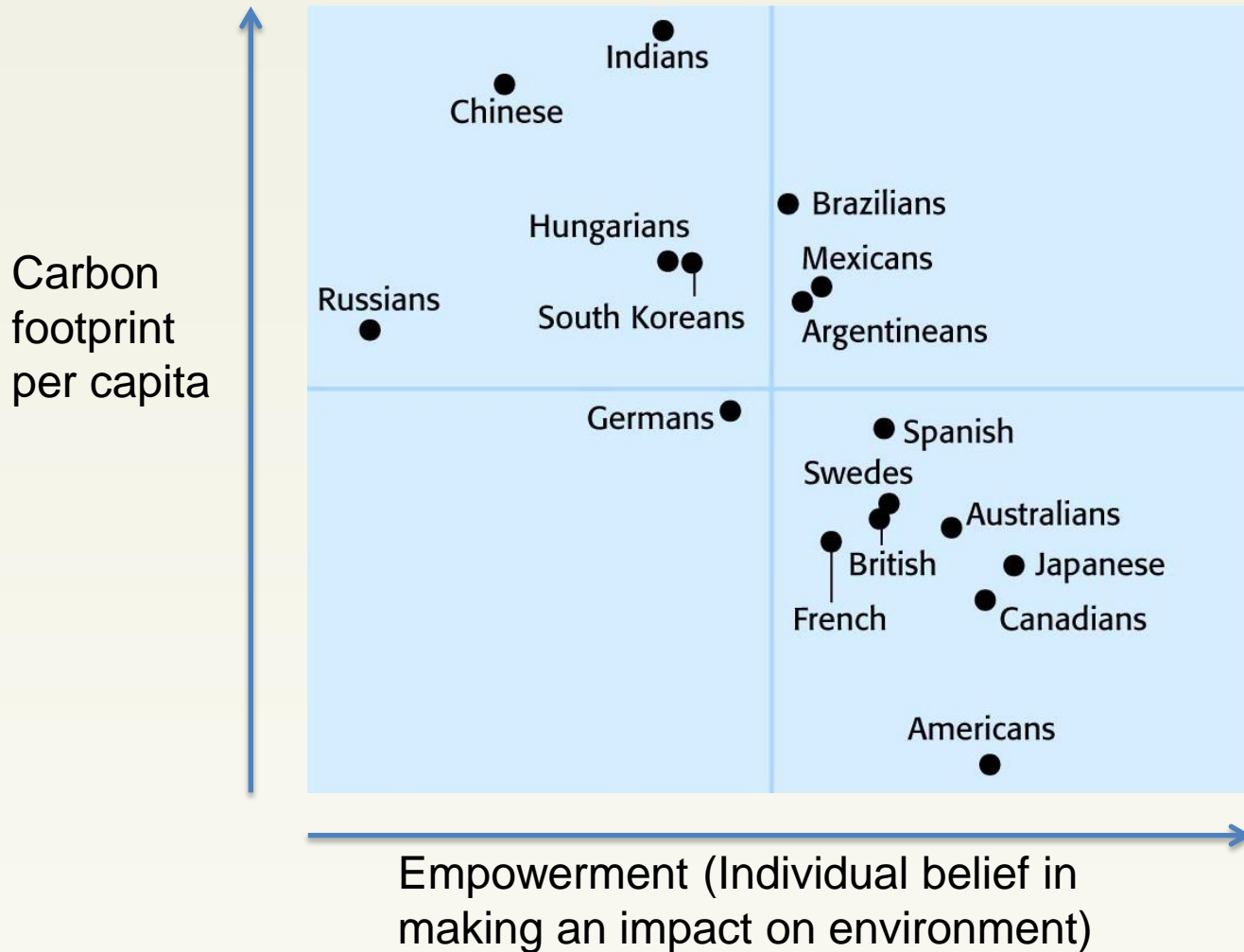
Note: ^aAverage annual
Sources: FAO (2005); OIVV (2008)

Table II.
Major wine producers
(000 hl)

Criteria of Successful Entry

Criteria	Indicators
Demand	Consumption growth rate
Environmental Awareness	Change in carbon footprint per capita
Competition	Market share, No. of competitors
Entry Barrier	Tax rates

Environmental Awareness Statistics



Source: 2012, National Geographic, *National Geographic Explores the World of Green Consumers*

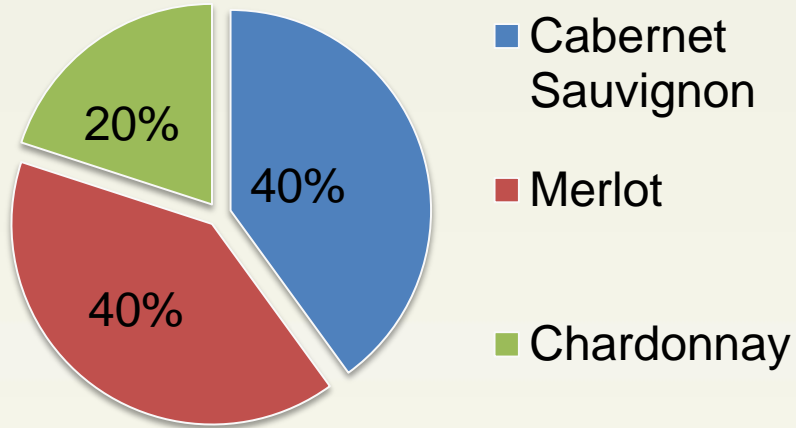
Why Japan?

Pros		Cons		
	Argument	Impact	Argument	Impact
1	Established networks → No entry barrier	★★★★★	Competition with French, Chilean wines → Different positioning	★★★
2	25.5% wine consumption growth rate → Promising market	★★★★★ ★	No traditional wine drinking culture	★
3	Environmentally conscious people → Brand recognition	★★★★★		
4	No regulatory changes in the past years	★★★		

Why Vietnam?

Pros		Cons		
	Argument	Impact	Argument	Impact
1	High demand for US import	★★★★★	Competition with French, Chilean wines → Different positioning	★★★
2	High environmental awareness	★★★★★	Low off-premise consumption	★
3			High tariff (55% import duty)	★★★
4			Entry can only be done through licensed importers	★★

Japan Product Mix

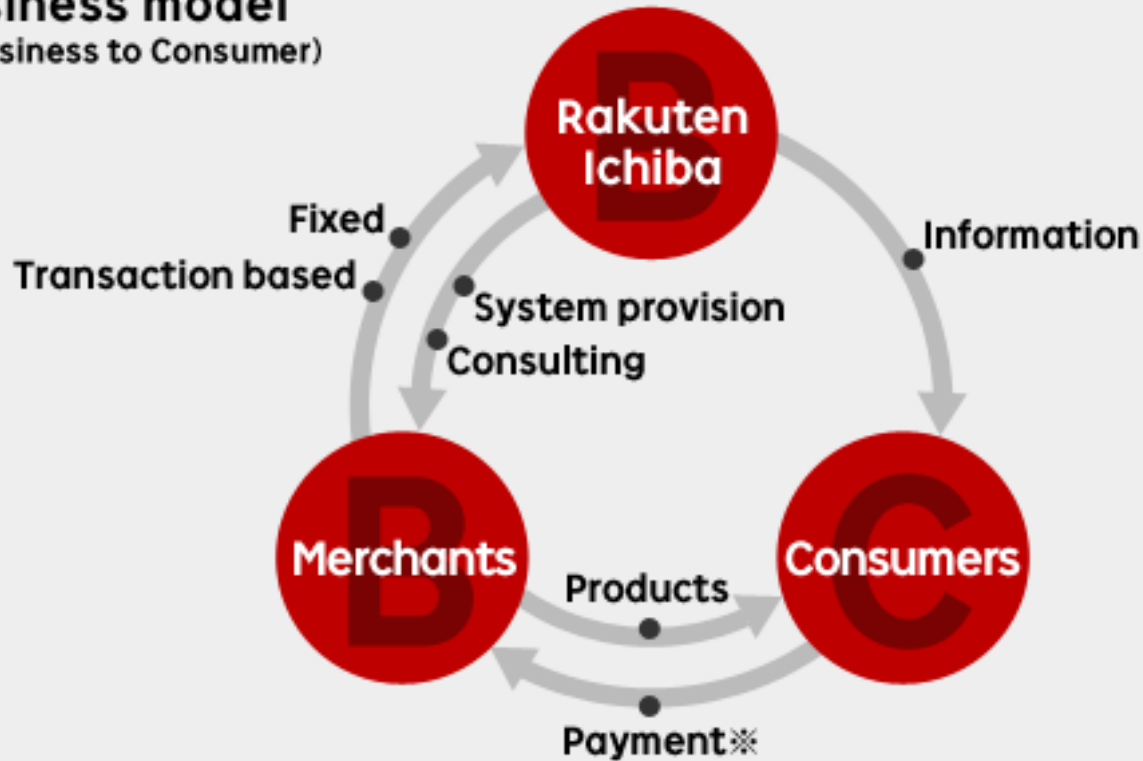


Rank	Wine
1	Cabernet Sauvignon
2	Merlot
3	Pinot Noir
4	Chardonnay

Source: 2012, Wine Intelligence, *Japan Wine Market Landscape Report*

Japan Online Retailers

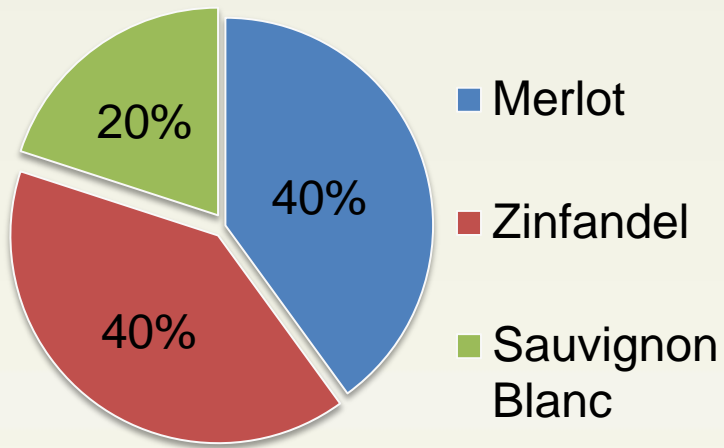
B2B2C business model (Business to Business to Consumer)



※ In the case of credit card payment Rakuten settles the transaction and manages personal information like credit card numbers.

Recommendation: **Rakuten.com**

Vietnam Product Mix



Frog's Leap's Current Foreign Markets

North and Central America

- Barbados
- Bermuda
- Canada
- Cayman Islands
- Mexico

Asia

- Hong Kong/Macau
- Japan

Europe

- Denmark
- Ireland
- United Kingdom

Frog's Leap's Wine List















Wine	Retail Price	Red/White/Rosé
Sauvignon Blanc	\$20	White
Chardonnay	\$26	White
Zinfandel	\$30	Red
Merlot	\$38	Red
Cabernet Sauvignon	\$42	Red
Petite Sirah	\$35	Red
Rutherford	\$75	Red
Pink	\$16	Rosé
Frögenbeerenauslese	\$25	White

Cost Benefit Analysis of Waste Treatment Options

Table 7. Management Concept Evaluation Summary

Management Concepts	Capital Cost to NSD	O & M Cost to NSD	Nuisance Risk to NSD	Regulatory Risks or Limitations
Concept 1 – Manage Discharges through the Existing Industrial Pretreatment Program (Status Quo Option)	Low	Low	Low	Low
Concept 2 – Segregate Winery Wastewater and Treat Separately in Oxidation Pond(s)	High (2)	Medium	High (1)	Medium
Concept 3 – Segregate Winery Wastewater, Treat Lower Strength Wastewater in Oxidation Pond and Treat High Strength Wastewater in Anaerobic Digester	High (2)	Medium	Medium	Medium
Concept 4 – Segregate and Truck High Strength Waste for Direct Injection into the Anaerobic Digester – Lower Strength Wastes Discharged to the Sanitary Sewer System	Medium	Medium	Medium	Medium
Concept 5 – Require Individual On-Site Treatment Systems as a Condition of Sanitary Sewer Discharge.	Low	Medium	Low	Low
Concept 6 – Encourage/Require Localized Group Treatment Systems.	Low	Medium	Low	Low
Concept 7 – On-site Treatment or Group Treatment Systems with Hauled Seasonal High Strength Waste Injected into the Anaerobic Digester.	Medium	Medium	Low	Low
Concept 8 – Charge Wineries by the Truck Load Based on Volume and Loading	Low	High (4)	Medium	Medium

Implementation Risks

	Risk	Possibility	Impact	Solution
Squat Sustainably	• No PE is willing to buy			➤ Seek Joint Venture or private investors
	• Loss of leadership in current sustainability initiatives			➤ Economic viability still of priority ➤ Investments only after 5 years
	• Inability to obtain sufficient social media coverage			➤ Focus on leveraging California Strategic Alliance ➤ Join other sustainability groups
	• Insufficient demand of vineyard visits			➤ Encourage social webpage peer-to-peer reviews ➤ Focus more on awareness campaign
Hopping Globally	• Pricing difficulties			➤ Shifting sales back to domestic
	• Political Policies Intervention			➤ Trying another emerging market (i.e. Another ASEAN country)
	• Unreliable Partnership			➤ Leveraging our business networks

Overseas Market Pricing

Japan 2013

(per bottle)

\$6.33 – \$12.66

Continue to increase

\$12.66 – \$18.99

Continue to increase

\$18.99 – \$37.97

Continue to be important

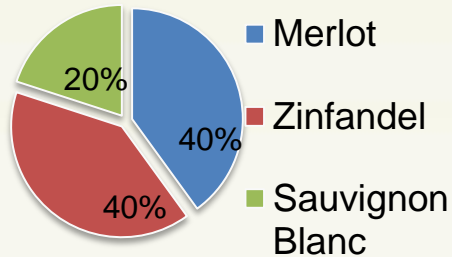
\$37.97 +

Demand forecasted to decline

Our Average Price: $32 * 12 = 384$

Japan Wine Report 2012 – Gain Report

Vietnam 2013



\$ 38 * 40%

\$ 27 * 40%

\$ 20 * 20%

=

Our Average Price: $30 * 12 = 360$

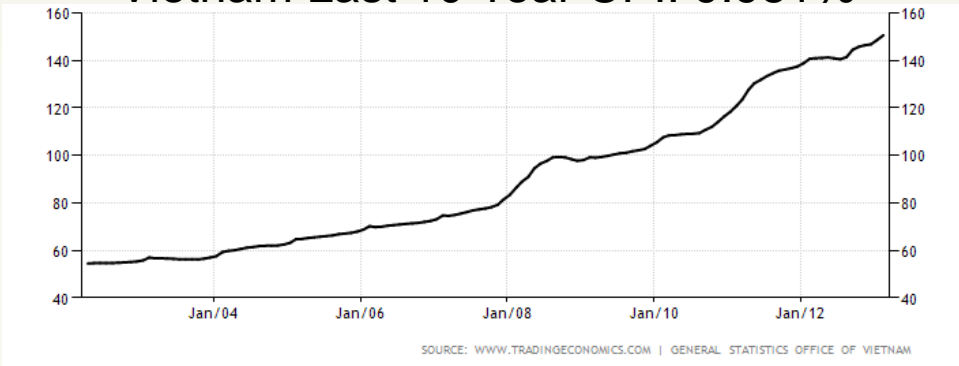
Price Growth forecast

US Last 10 Year CPI: 2.384% Japan Last 10 Year CPI: 0.746%

Year	US CPI	Index
2002	1.40%	1
2003	1.90%	1.014
2004	3.30%	1.033266
2005	3.40%	1.067364
2006	2.50%	1.103654
2007	4.10%	1.131246
2008	0.10%	1.177627
2009	2.70%	1.178804
2010	1.50%	1.210632
2011	3.00%	1.228791
2012	1.70%	1.265655
Last 10-year average CPI		2.384%

Year	Japan CPI	Index
2002	1.00%	1
2003	0.80%	1.01
2004	0.60%	1.01808
2005	0.40%	1.024188
2006	0.60%	1.028285
2007	0.60%	1.034455
2008	2.50%	1.040662
2009	1.00%	1.066678
2010	0.00%	1.077345
2011	-0.02%	1.077345
2012	-0.05%	1.07713
Last 10-year average CPI		0.746%

Vietnam Last 10 Year CPI: 9.981%



Avg. Annual Per Case Price Increase 2013-2018	
U.S	2.4%
Japan	2%
Vietnam	9%

Product Sales By Country

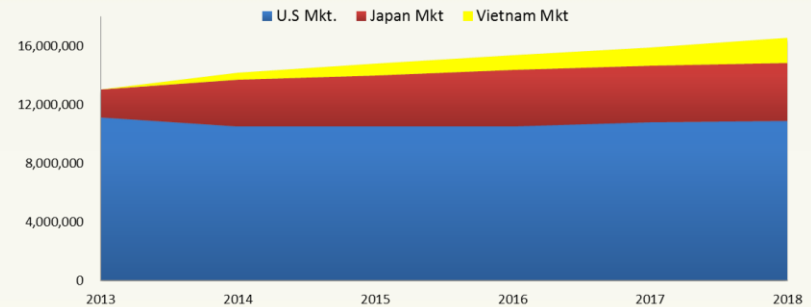
	2013				2014				2015			
	Mkt Share	Sales Volume	Avg. Per Case Price	Total Market Sales	Mkt Share	Sales Volume	Avg. Per Case Price	Total Market Sales	Mkt Share	Sales Volume	Avg. Per Case Price	Total Market Sales
U.S Mkt.	92.00%	57,040	195	11,122,800	85.00%	52,700	200	10,523,136	83.00%	51,460	204	10,522,146
Japan Mkt.	8.00%	4,960	384	1,904,640	13.00%	8,060	392	3,156,941	14.00%	8,680	400	3,467,778
Vietnam Mkt	0.00%	-	360	-	2.00%	1,240	392	486,576	3.00%	1,860	428	795,552
Total	100.00%	62,000		13,027,440	100.00%	62,000		14,166,653	100.00%	62,000		14,785,475

	2016				2017				2018			
	Mkt Share	Sales Volume	Avg. Per Case Price	Total Market Sales	Mkt Share	Sales Volume	Avg. Per Case Price	Total Market Sales	Mkt Share	Sales Volume	Avg. Per Case Price	Total Market Sales
U.S Mkt.	81.50%	50,530	209	10,579,954	81.00%	50,220	214	10,767,407	80.00%	49,600	220	10,889,704
Japan Mkt.	15.00%	9,300	408	3,789,786	15.00%	9,300	416	3,865,582	15.00%	9,300	424	3,942,893
Vietnam Mkt	3.50%	2,170	466	1,011,677	4.00%	2,480	508	1,260,260	5.00%	3,100	554	1,717,104
Total	100.00%	62,000		15,381,417	100.00%	62,000		15,893,249	100.00%	62,000		16,549,702

Market Size Summary		2013	2014	2015	2016	2017	2018
U.S Mkt.		11,122,800	10,523,136	10,522,146	10,579,954	10,767,407	10,889,704
Japan Mkt		1,904,640	3,156,941	3,467,778	3,789,786	3,865,582	3,942,893
Vietnam Mkt		-	486,576	795,552	1,011,677	1,260,260	1,717,104
Total		13,027,440	14,166,653	14,785,475	15,381,417	15,893,249	16,549,702

Avg. Annual Per Case Price Increase 2013-2018	
U.S	2.4%
Japan	2%
Vietnam	9%

2013-2018 Sales Projection by Market



Income Statement

	F2000	F2001	F2009	F2010	E2011	E2012	E2013	E2014	E2015	E2016	E2017	E2018
Sales	9638	9180	10017	12152	12417	12688	13027	14167	14785	15381	15893	16550
Cases Sold	61	54	53	62	62	62	62	62	62	62	62	62
Avg. Price Per Case	158	170	189	196	200	205	210	228	238	248	256	267
COGS	4514	4050	4346	4960	5228	5260	5443	5896	6166	6408	6624	6896
% of Sales			43.4%	40.8%	42.1%	41.5%	41.8%	41.6%	41.7%	41.7%	41.7%	41.7%
Gross Profit			5671	7192	7189	7427	7585	8271	8620	8974	9269	9654
Operating Expense												
Sales & Marketing			2853	3337	3477	3553	3908	4250	4436	4614	4768	4965
% of Sales			28.5%	27.5%	28.0%	28.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
G&A			1678	1483	1863	1903	1954	2125	2218	2307	2384	2482
% of Sales			16.8%	12.2%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Total Operating Expense			4531	4820	5339	5456	5862	6375	6653	6922	7152	7447
% of Sales			45.2%	39.7%	43.0%	43.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
EBITDA			1140	2372	1850	1972	1722	1896	1967	2052	2117	2206
% of Sales			11.4%	19.5%	15.2%	16.2%	14.2%	15.6%	16.2%	16.9%	17.4%	18.2%
D&A Expense			1250	1100	1190	1216	1248	1358	1417	1474	1523	1586
% of Sales	7.0%	9.8%	12.5%	9.1%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
EBIT			-110	1272	660	756	474	538	550	578	594	620
% of Sales			-1.1%	10.5%	5.4%	6.2%	3.9%	4.4%	4.5%	4.8%	4.9%	5.1%
Tax Expense			0	432	224	257	161	183	187	197	202	211
Tax Rate			34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
Interest Expense			1420	1420	1420	1420	1420	598	538	485	436	392
% of Sales			14.2%	11.7%	11.7%	11.7%	11.7%	4.2%	3.6%	3.2%	2.7%	2.4%
Net Income			-1530	-580	-984	-921	-1107	-243	-176	-103	-44	17
% of Sales			-15.3%	-4.8%	-8.1%	-7.6%	-9.1%	-2.0%	-1.4%	-0.8%	-0.4%	0.1%

Cost / Benefit Analysis - Squat Sustainably

Annual Cost Savings

Squat Sustainably

Environmental

Status Quo	-10,000.00
Dry Farming	-3,000.00
Organic and biodynamic growing techniques	-4,000.00
SWP Requirements	-1,000.00
other EMS projects	-2,000.00

Social

Green Awareness Campaign	20,000.00
- travel advisor reviews	1,000.00
- sustainability reviews	1,000.00
- social media engagement	18,000.00

Vinery Visit

- B&B
- Fun theme tours
- cross-sell crops

Economical

Capital Restructuring	-821,831.50
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Initial Investment

Restructuring Fees	100000.00
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Assumptions

- cost saving as the environmental program starts to operate more cost-efficiently
- minimal initial cost as critics are expected to naturally inclined to write good reviews of Frog's Leap Winery. Potential cost would only be free samples of wine
- advertising and Facebook page, twitter page setup needs administrative staffing and ongoing operating cost. Use comparable examples of School club Facebook budget as a reference. Times multiple times.
- mostly only sales driver, resulting in more sales from tourism visits,
- more cross-sale of crops in the vineyards,
- also more sales in other revenue streams such as B&B
- cost saving as debt cost would be lower, and L-T outstanding debt would also decrease
- interest expense decreased

Cost Analysis - Hop globally

Hop globally

Japan		
	developing niche women market	400,000.00
Vietnam		
	Establishment, distribution	300,000.00
	Hop on J-Pop	
	Interactive Webpage	
	- design cost	60,000.00
	- establishment cost	40,000.00
	- operating cost	60,000.00
	Local Fellowship chapter	10,000.00
	Comic Labeling - design cos	30,000.00
	Global Marketing	200,000.00
	Total Initial Cost	900,000.00

Assumptions

- scale is still small, while Vietnam costs are relatively low
- minimal initial cost. Royalty cost for music included in Japanese
- mainly targeting Japan in the first five years as Japanese customers are more attracted to technically advanced websites.
- assume one year operating cost is extra, all future operating cost would be included in the existing operating cost as synergy could be achieved with existing website.

Financial Restructuring – Discounted Cash Flow

DCF

	<i>F2009</i>	<i>F2010</i>	<i>E2011</i>	<i>E2012</i>	<i>E2013</i>	<i>E2014</i>	<i>E2015</i>	<i>E2016</i>	<i>E2017</i>	<i>E2018</i>
Free Cash Flow	1177	1940	1626	1715	1596	762	1709	1756	1792	1831
			Discounted Cash Flow		1596	719	1519	1472	1416	1364
			Discounted Terminal Value							61659
			Enterprise Value		69746					

WACC

Cost of Equity	8.00%
Cost of Debt	5%
D/E Ratio After	0.70
Tax Rate	34%
WACC	6.06%
Perpetual Growth	3%

Impact of Private Placement

Debt % decreased	41.0%
Interest Expense Decreased	57.9%
Fund Raised	9000
Ownership Sold	
Debt Redempted	8000
Enterprise Value	76520
Equity Value After	59640
Ownership of PE	15.1%
Ownership of John	84.9%

Financial Restructuring – Investor Choices

- “51% of the country’s 5,000 or so wineries are poised to **change hands** in the next decade from 2008”
- Consolidation was previously led by publicly-traded conglomerates while recent trends show consolidation now **led by financial and private equity firms**

-- CCG Advisors, *The Domestic Wine Industry Merger & Acquisition Market Update, 2012*

Winery-focused Private Equities



Winery Industry Leaders

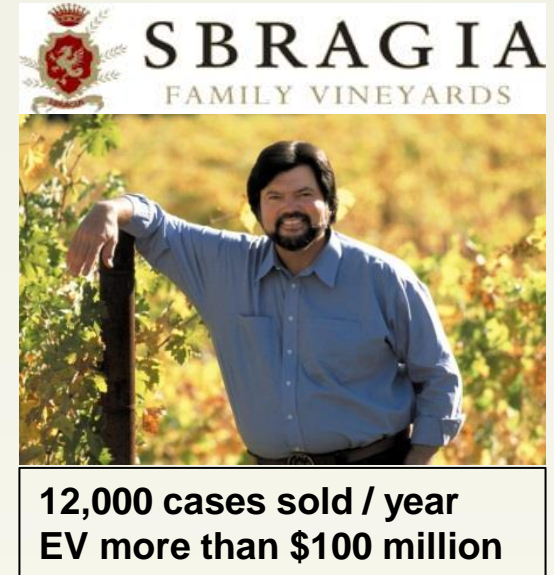


Frog's Leap Winery
Hopping Forward

Financial Restructuring – Similar Case Study






BACCHUS CAPITAL MANAGEMENT

- Capital Injection of less than \$50 million
- Bolster management team
 - Owner Ed Sbragia, focus on making his highly rated wines and brand building
 - Retain Steve Cousins as GM and Tim Allen as CFO
- Assist distribution partner, Treasury Wine Estates, in expanding the reach of the brand
- Long Investment Time Horizon – Operating Partner, rather than Fund



Sustainability Options Criteria

Criteria for Sustainability Initiatives

Criteria	Investment Cost	Social Awareness	Sustainability Effect	Operational costs	Impact on quality of wine
Weighting					

California Sustainable Wine Growing Program

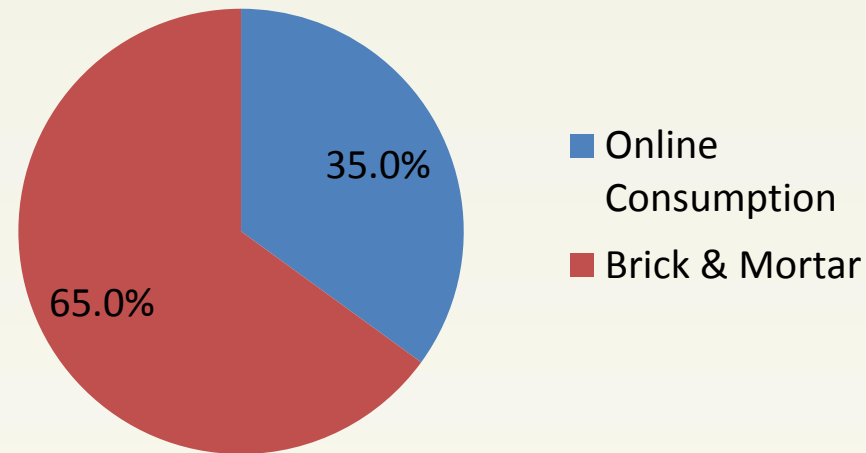
- Targeted Education Schemes
- Online video series
- Active participation in “Down to Earth Month” which engages policy leaders, media, wine traders and consumers
- Publications through interviews



Associated Press, Audubon Magazine, California Farmer, Decanter, Drinks Magazine, Grower Magazine, Practical Winery & Vineyard, The Wine Kingdom (Japan), USA Today, Wall Street Journal, Washington Times, Wine Business Monthly, Wines & Vines, Wine Spectator

Japan Online Consumption

Premium Wine



Source: Japan Wine Report 2012