

BACCHUS CAPITAL MANAGEMENT

WHAT WE PROVIDE

MEZZANINE DEBT USE

- ADDS LIQUIDITY WHEN WINERY NEEDS MORE TO WEATHER THE CURRENT STORM
- WHEN BANKS ARE TAPPED OUT
- CAPITAL FOR GROWTH; EXPANSION; ACQUISITION
- BRIDGE FINANCING
- MONEY TO GET TO A SALE
- PARTNERSHIP / GENERATIONAL CASH-OUTS
- SOME FAMILY MEMBERS / INVESTORS WISH TO EXIT THE BUSINESS, BUT REMAINING OWNERS DON'T WANT TO SELL THE COMPANY
- REFINANCING OF "TIRED" SENIOR LENDERS
- PAY-DOWN PART OR ALL OF EXISTING LOAN

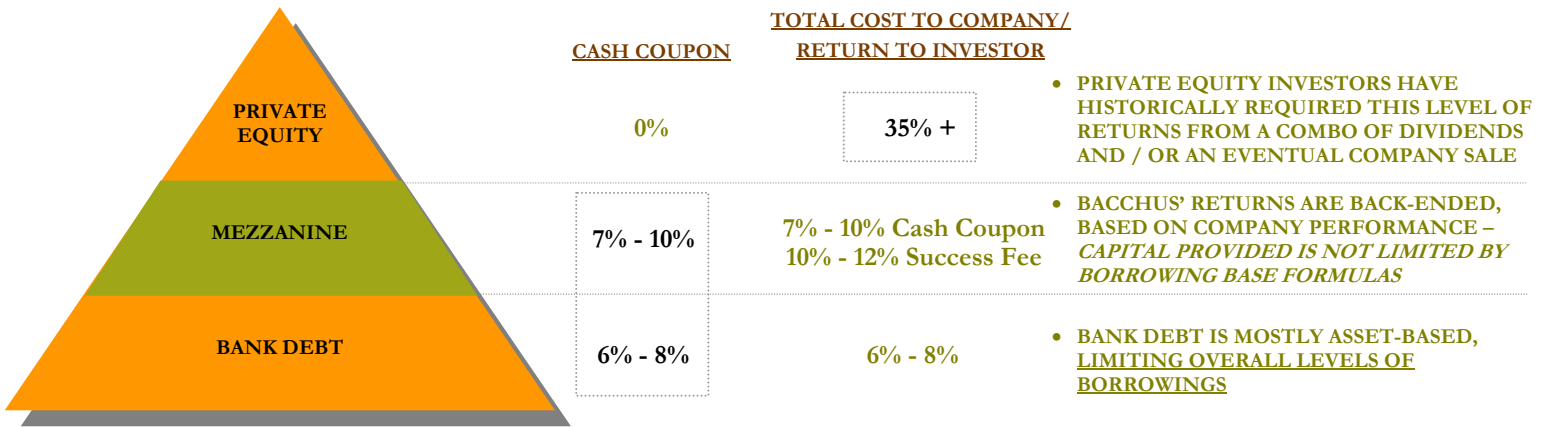
PRICING

- BACCHUS MEZZANINE CASH COUPON IS 7% TO 10%; *VERY SIMILAR TO BANK DEBT (SEE BELOW)*
- ADDITIONAL BACCHUS RETURNS ARE EARNED AT MATURITY AND ARE BASED ON BORROWER'S PERFORMANCE

STRUCTURE

- *FLEXIBLE TO SUIT BORROWERS' NEEDS*
- MATURITY OF 3 TO 6 YEARS
- BACCHUS LOANS FROM \$2.5 MILLION TO \$7.0 MILLION
- HAVE PARTNERS TO SYNDICATE BEYOND \$7.0 MILLION

MEZZANINE DEBT IS FAR CHEAPER THAN EQUITY



MEZZANINE VERSUS EQUITY

OWNERSHIP IMPLICATIONS

ISSUING EQUITY WILL REQUIRE A WINERY TO CEDE SOME OR A MATERIAL PORTION OF OWNERSHIP AND PERHAPS CONTROL. IT WILL ALSO INVOLVE OUTSIDERS IN DECISION-MAKING AND LEAD TO LESS LATITUDE FOR MANAGEMENT DECISIONS - *NONE OF THAT IS TRUE OF MEZZANINE*

MEZZANINE DEBT IS MUCH LESS EXPENSIVE THAN EQUITY

EQUITY PROVIDERS REQUIRE A HIGHER RETURN THAN MEZZANINE, AS EQUITY IS RISKIER THAN DEBT. IN A LIQUIDATION, EQUITY HAS THE LOWEST CLAIM ON RECOVERIES. THIS MEANS EQUITY HOLDERS REQUIRE HIGHER RETURNS – MEANING HIGHER COSTS TO WINERIES – TO COMPENSATE FOR THE RISK THEY SHOULDER

HIDDEN COSTS OF EQUITY

ABSENCE OF A QUARTERLY CASH COUPON DOES NOT MAKE EQUITY "CHEAPER" THAN DEBT. PRIVATE EQUITY INVESTORS TRADITIONALLY EXPECTED RETURNS GREATER THAN 35%. THESE RETURNS CAN COME AS REGULAR CASH DIVIDENDS AND/OR AS SIGNIFICANT PORTIONS OF THE PROCEEDS ASSOCIATED WITH A SALE (WHICH COULD BE FORCED BY OUTSIDE EQUITY) – REDUCING EXISTING OWNERS CASH PROCEEDS

DEBT TAX SHIELD

MEZZANINE DEBT HAS TAX ADVANTAGES FOR BORROWERS THAT EQUITY ISSUANCES DO NOT... INTEREST EXPENSE IS TAX DEDUCTIBLE AND EQUITY DIVIDENDS ARE NOT