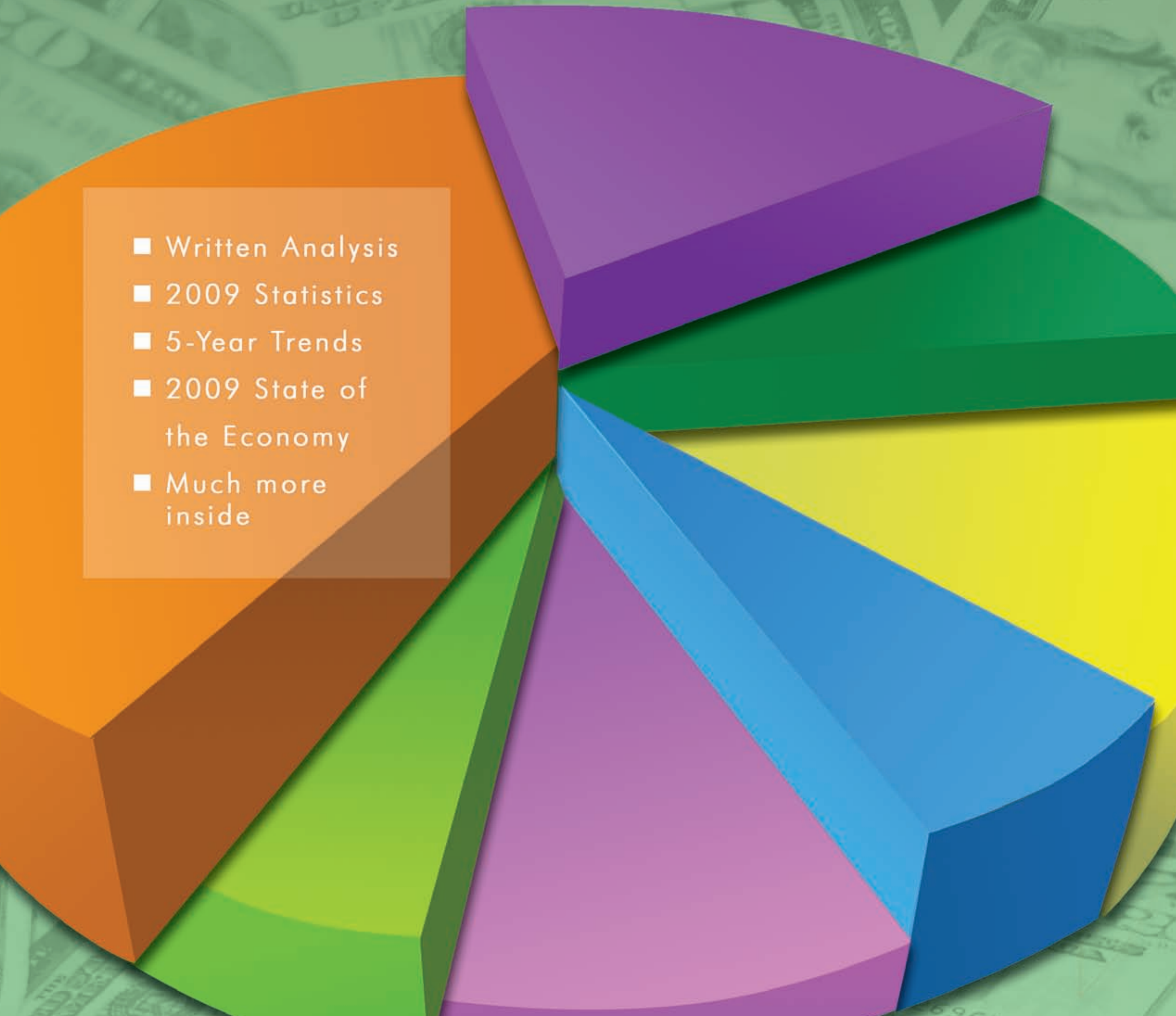
2009 U.S. TRENDOLOGY

U.S. SMALL BUSINESS EVALUATOR-FINANCIAL EDITION



- Written Analysis
- 2009 Statistics
- 5-Year Trends
- 2009 State of the Economy
- Much more inside

Small Business Evaluator-Financial Edition

TABLE OF CONTENTS

Small Business Evaluator-Financial Edition

© 2009 Trendology Research

TABLE OF CONTENTS

Small Business Evaluator-Financial Edition

User's Guide

The 2009 Trendology: U.S. Small Business Evaluator-Financial Edition report is a useful tool for small business entrepeneurs trying to decide the best business in which to invest. Many entrepeneurs are trying to choose between hundreds of industries and decide which one will be the most profitable and the most successful.

Not only are the most successful business ventures sorted out for entrepeneurs, but the Small Business Evaluator-Financial Edition provides valuable data for business plans and marketing plans such as industry income statements, industry start-up costs, industry trends, financial ratios and founder and employee education requirements.

Entrepeneurs will be able to match their financial resources, ability background and projected income requirements to the industry/business that best fits them.

Methodology

The 2009 Trendology: U.S. Small Business Evaluator-Financial Edition report was developed by researching over 500 industries and which industries are 1) small business focused, 2) performing well (sales increased in 2008-2009) and 3) growing (number of establishments increased in 2008-2009).

These 50 industries are further researched for a number of information sources:
- Industry trends are researched through Internet searches, trade journal searches, and other secondary sources
- Financial ratios are calculated from Trendology industry reports and their database

- Industry average start-up costs spreadsheets are developed from gathering information from Internet searches on average prices of equipment, supplies and real estate, as well as requirements for starting up each industry.
- Industry average income statement are calculated by researching financial statements of industry public companies.
- Founder and employee education and abiltiy requirements are gathered from secondary sources such as trade journals and trade associations.

2009 State of the Economy

The beginning of 2009 was filled with talks of the Stimulus bill and dire warnings for the coming year. However, much of this was overexaggeration by politicians. The current recession is more dire than other recessions this century but not nearly as dire as the "Great Depression". Many politicians make the comparison to increase the need for massive spending in stimulus bills and the media are happy to repeat the comparison for sensational headlines.

After looking at the current data on unemployment, the stock market and GDP growth/decline in the following sections and comparing it to previous recession trends, the recession may end by the beginning on 2010. Previous recessions have had a lifespan of twelve to eighteen months. The beginning of the current recession is in dispute, whether it begin in December 2007 or the third quarter of 2008. But the previous recessions only saw two or three consecutive quarters of GDP decline and by beginning of 2009 two quarters may have already occurred.

The wildcard is the size and composition of the Stimulus bill. If the size of the bill is too large and contains too much government spending on programs that will not impact current year job creation, the recession and unemployment may be extended. If the bill is more focused on tax cuts and supporting small businesses, the recession may mirror previous recession lifespans.

Most industries will see declines in the number of establishments and industry sales, as tight credit and poor performance will force companies to close. However, the remaining companies will benefit from less competition and lower expenses, such as cost of goods and employee costs.

Global markets and industries will mirror the U.S. market in most cases since the economy is essentially a global economy. China and India and other main low-end suppliers to U.S. manufacturers will lag in GDP growth since companies will see better sales but will be hestitant to return to previous inventory levels.

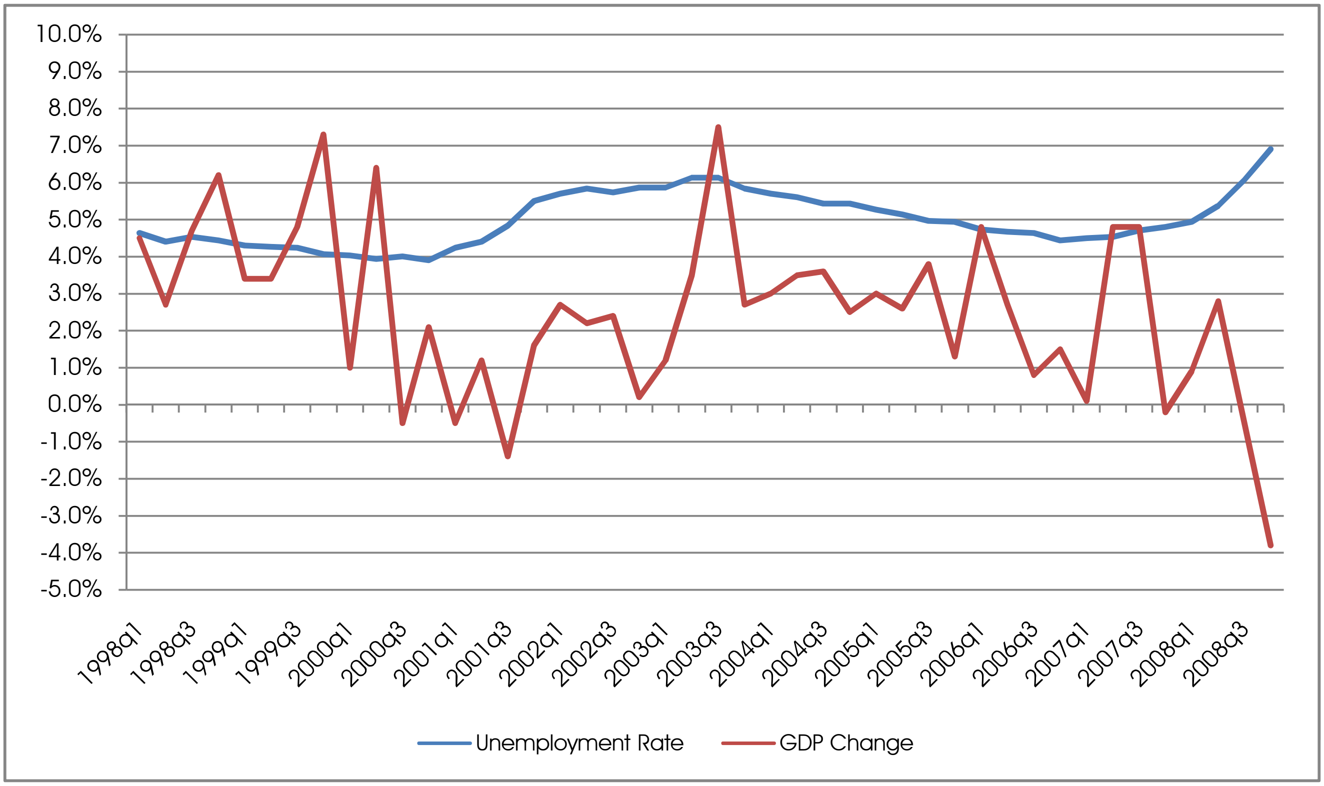
Forecasts

Looking beyond 2009, our forecast for 2010 is that the recession will technically will be over (that GDP will increase) but unemployment and inflation will be a problem for 2010.

Companies will see sales improve but will be hesitant to return to their previous employment levels. Consumers will remain pessimistic based on high unemployment levels and an abundance of caution.

Many economists and investors are looking toward gold and silver and international stocks that pay dividends as safe and prosperous investments during the recession.

Recession Unemployment



• During the economic downturn of 2000-2001, the increase of the unemployment rate lagged the GDP downturn by three months and did not begin to decline after the GDP upswing for 24 months.

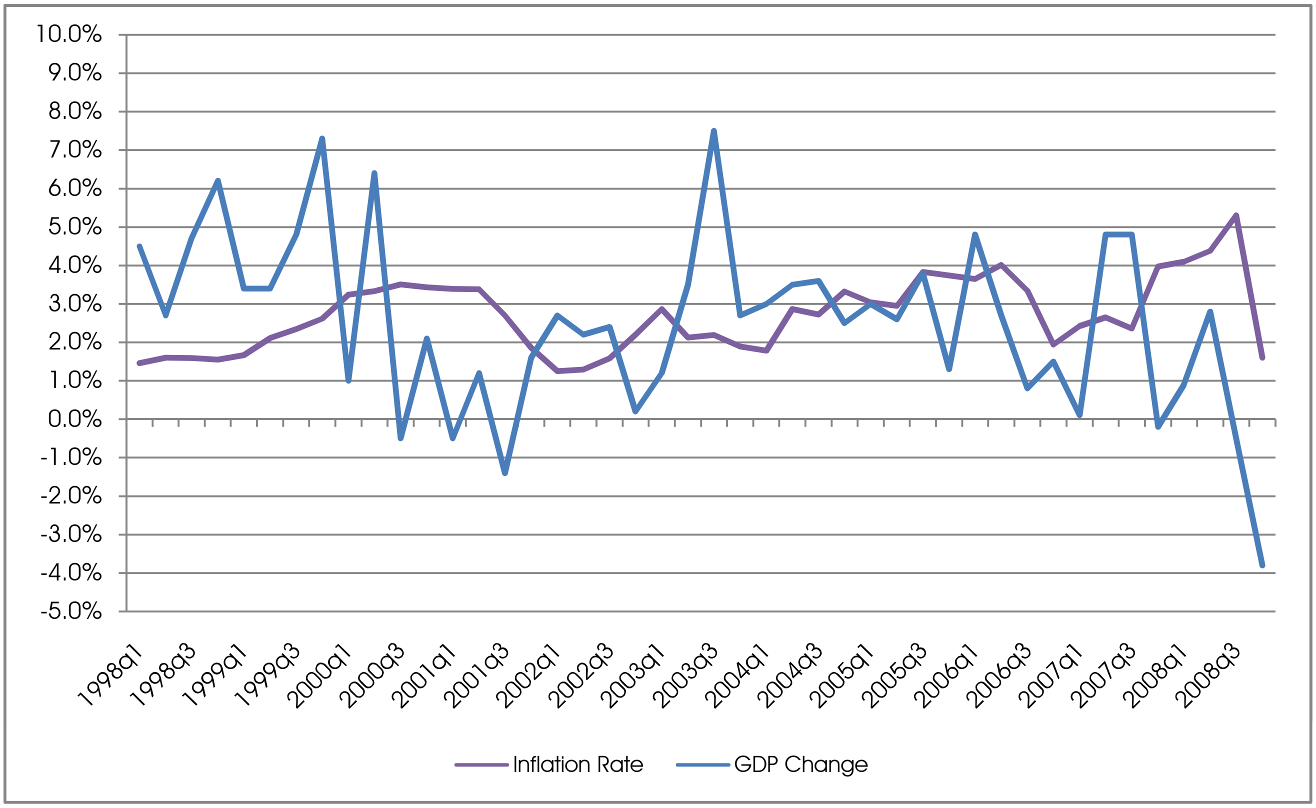
• During the economic downturn of 2007-2009, the increase of the unemployment rate coincided with the GDP downturn and it is expected that unemployment will begin to decline after the GDP upswing after 12 months.

• The 2008 Economic Stimulus checks began in April (through October) but does not seem to have had a significant impact on GDP growth or decreasing the unemployment rate. It did not prevent the third quarter 2008 decline in GDP or the rising unemployment, although it cannot to be proven that it did not lessen either events.

• The unemployment rate continued to decline for nine months after the "dot-com bubble" burst in the second quarter of 2000.

• The unemployment rate continued to decline for twelve months after the "housing bubble" burst in the second quarter of 2006.

Recession Inflation

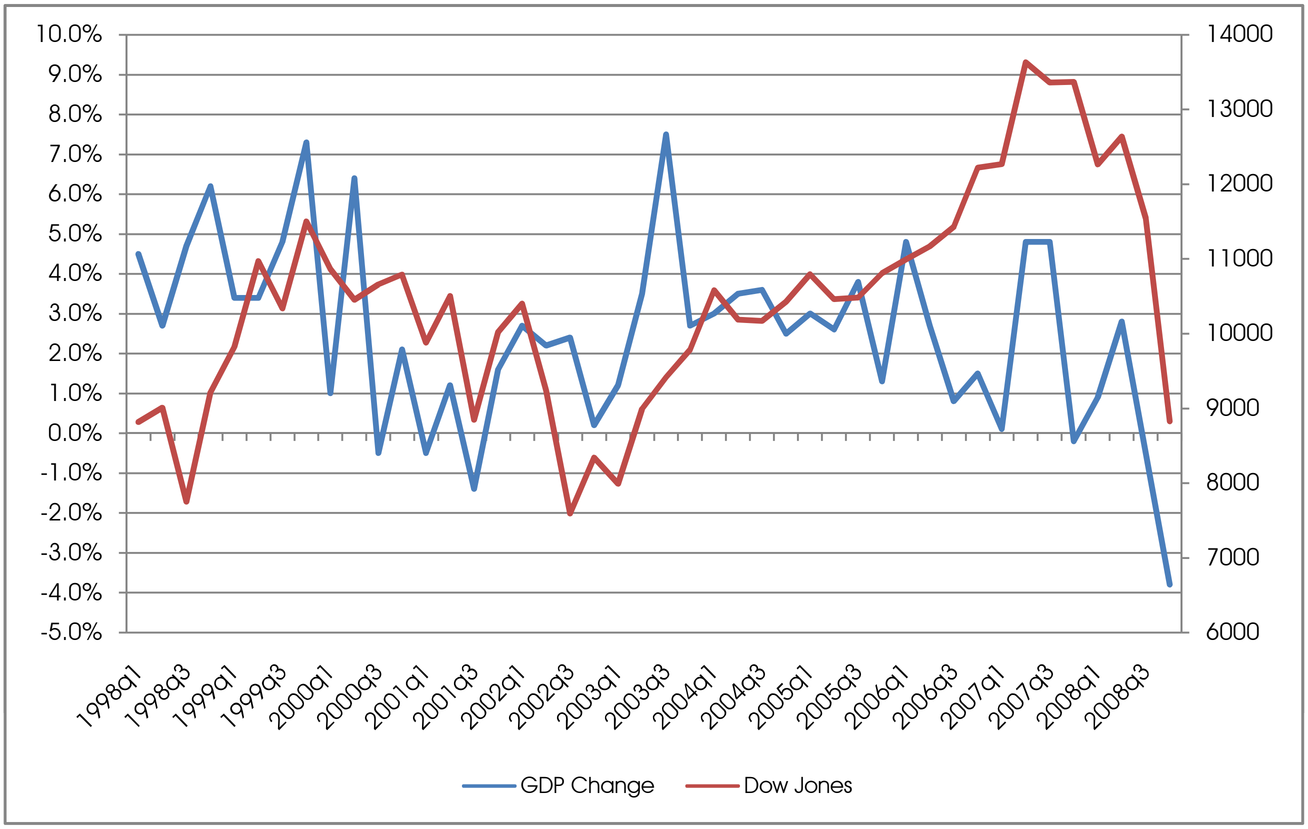


• Inflation rates decreased to nearly one percent in 2002 after the Federal Reserve lowered interest rates (federal funds target rates) from 6.5 percent in 2001 to 1.75 percent in 2002.

• Inflation rates increased to four percent in 2006 after the Federal Reserve increased interest rates (federal funds target rates) from one percent in 2004 to 5.25 percent in 2006.

• Inflation rates recently reached more than five percent in 2008 even after the Federal Reserve decreased interest rates (federal funds target rates) from 5.25 percent in 2006 to one percent in 2008. Much of this unexpected inflation was due to the peak in fuel prices in 2008, which exceeded $4.00 a gallon for gasoline. Fuel prices have plummeted in the second half of 2008 to less than $2.00 a gallon for gasoline.

Recession Economic Growth/Decline



• The beginning of the 2000-2001 GDP downturn begain in the third quarter of 2000 as "dot com bubble" burst and the stock market fell from nearly 12000 to 10000.

• The U.S. experienced an unexpected GDP downturn in the third quarter of 2001 after September 11th attacks. The stock market was shocked by the event and fell below the 9000 mark.

• The Federal Funds rates were dropped to 2 percent and lower from 2002 to 2004, to spur the economy.

• Lower interest rates created a "housing boom", with an explosion in housing prices and refinancing mortgages.

• The 3.8 percent decline in the fourth quarter of 2008 was significant, however it was not as bad as many experts expected (a survey of economists by MarketWatch produced an expected decline of 5.5 percent). This is the largest contraction since the first quarter of 1982.

Recession Stock Market

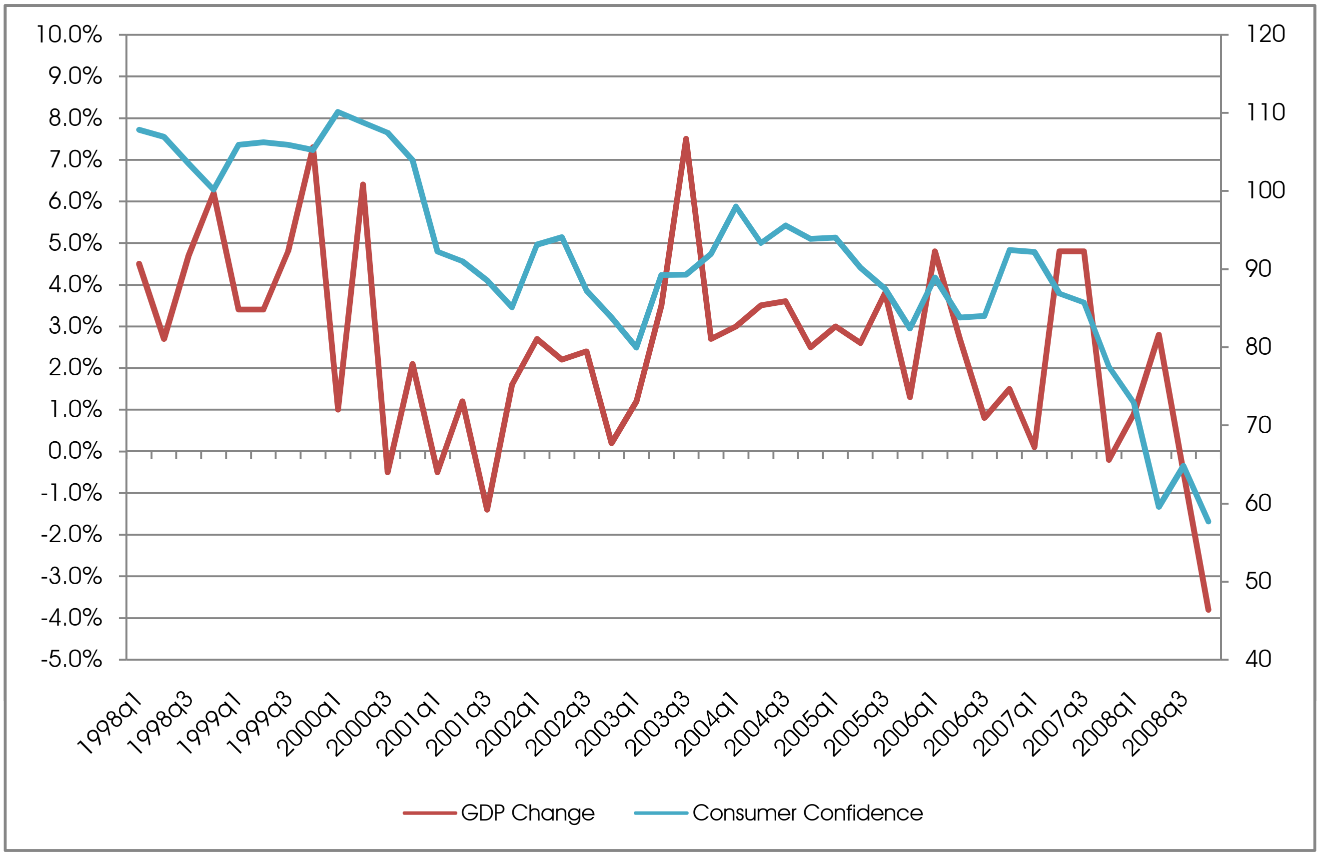
• The stock market lost nearly half of all the value created in the "dot com boom" from 1998-2000 when it collapsed in 2000.

• The stock market dropped 1500 points after September 11th 2001.

• The stock market was at its lowest point in mid-2002 before the "housing boom" which drove the market up more than 50% in 2002-2007.

• The stock market essentially collapsed in the second half of 2008 when foreclosure rates increased and banks were unable to sell sub-prime loans any longer.

Recession Consumer Confidence



• Consumer confidence was its highest level in the last twenty years at the height of the "dot com boom".

• Consumer confidence dropped signficantly after September 11th 2001.

• Consumer confidence was at its lowest point in early 2000's just before the "housing boom" in 2002-2007.

• Consumer confidence was fairly high and stable during the "housing boom" from 2004-2007.

• Consumer confidence sank to its lowest point in decades in 2008 after housing prices declined, the stock market declined and credit tightened.

INDUSTRY DEFINITION-U.S. CENSUS

NAICS 312130: Wineries. This industry comprises establishments primarily engaged in one or more of the following manufacturing activities:

1. wine and brandies from grown grapes;
2. wine and brandies from grapes and other fruits grown elsewhere; and
3. Blending wines and brandies.

INDUSTRY TRENDS

- Wine sales performance in the Top Ten States was roughly the same across all varietals, with California, Florida, New York, Texas, and New Jersey taking the top five spots in almost all varietals.
- California is the most important market for its own wine across all price segments.
- The luxury segment of $186 and above is dominated by California's 30 percent market share. Surprisingly, New Jersey is the second most significant player in this segment, commanding a total of 8 percent share vs. Florida at 7 percent, Texas at 6 percent, and New York at 5 percent. Combined, these top five states represent 55 percent of all sales in the above $186 FOB segment.
- Overall sales declined in 18 states last year, but sales of all California wines were up 6 percent last year.
- Brands aimed at specific outlets like restaurants will continue to gain momentum, as will custom brands and novelty brands. Celebrity wines will also continue to be hot. Rock stars have their own labels already, so it wouldn't be at all surprising to see celebrity homemaker Martha Stewart launch a wine.
- Major wine companies are now providing better quality wine for use in private-label programs.
- One wine region to watch will be Walla Walla, an area that comprises parts of Washington state and Oregon. The valley's first present-day winery was established in 1977. In 1984, the region was federally recognized as a unique American Viticultural Area. Five years ago the valley sported just 22 wineries, but there are 73 today.
- There are currently no "pure play" wine companies that are publicly traded. Despite the drawbacks of short-term shareholder demands, public offerings allow companies to raise capital while maintaining independence and provide access to capital markets for future funding needs.

INDUSTRY FORECAST

- The number of Winery establishments is projected to increase by 2.5% from 2009 to 2010, according to Trendology Research.
- The total sales for the Winery industry are projected to decrease by -0.2% from 2009 to 2010, according to Trendology Research.
- One California winery, Consentino Signature Wines, plans to go public this year by floating stock in the U.K on AIM, the Alternative Investment Market, because a public listing in America was not an option due to high regulatory costs. We expect more U.S. wineries to follow Consentino's example.

INDUSTRY STATISTICS

- Average sales per establishment in 2009 are $3.6 million and $552,108 for establishments with one to nine employees.
- Average sales per employee in 2009 are $218,873 and $179,792 for establishments with one to nine employees.

INCOME STATEMENT & PROFITABILITY

The typical Winery can expect the following income statements (estimates are based on 12 months).

INCOME STATEMENT	Avg. Industry Percentages (2 Employees)	Based on $360,000 Total Revenues (2 Employees)	Avg. Industry Percentages (4 Employees)	Based on $720,000 Total Revenues (4 Employees)
Total Revenues	**100%**	**$360,000**	**100%**	**$720,000**
Cost of Goods	62%	$223,200	66%	$475,200
Gross Profit	**38%**	**$136,800**	**34%**	**$244,800**
Selling/General/Admin. Expenses	21%	$75,600	21%	$151,200
Owner Salary	30%	$108,000	30%	$216,000
Employees Salaries	24%	$86,400	30%	$216,000
Total Operating Expense	**83%**	**$298,800**	**83%**	**$597,600**
Operating Income	**17%**	**$61,200**	**17%**	**$122,400**
Interest Income (Expense)	0%	$0	0%	$0
Income Before Tax	16%	$57,600	16%	$115,200
Income After Tax	8%	$28,800	8%	$28,800
Net Income (Profitability)	**8%**	**$28,800**	**8%**	**$28,800**

Sources: Ratios are estimates based on averages from income statements from industry public companies from Google Finance and Morningstar.

Assumptions: Cost of goods decreases as a percentage of income as the size of the business increases (economies of scale in purchasing power).

STARTUP CAPITAL REQUIREMENTS

The typical Winery can expect the following expenses (estimates are based on the business' first six months).

STARTUP CAPITAL REQUIREMENTS	2 Employees	4 Employees	8 Employees
Rental Space	**$20,000-$27,000**	**$22,000-$30,000**	**$25,000-$32,000**
Utilities	$2,400	$2,600	$3,100
Computer Equipment	**$2,300**	**$2,300**	**$2,300**
Desktop	$1,000	$1,000	$1,000
Photo Copier	$1,000	$1,000	$1,000
Printers	$300	$300	$300
Computer Software	**$1,600**	**$1,600**	**$1,600**
Office Suite Software	$800	$800	$800
Security Software	$800	$800	$800
Furniture	**$250**	**$250**	**$250**
Desks	$100	$100	$100
Chairs	$50	$50	$50
Shelving, etc.	$100	$100	$100
Industry Specific Equipment	**$22,300 - $25,300**	**$35,600 - $38,600**	**$41,600 - $44,600**
Bottles and Labels	**$4,000**	**$6,000**	**$8,000**
Fermentation Tanks	$5,000	$7,000	$10,000
Storage Barrels	$3,000	$6,000	$9,000
Corks	$800	$1,100	$1,500
Grapes	$6,000	$9,000	$12,000
Presses	$1,500	$1,500	$3,000
Sanitizers	$3,000 - $5,000	$5,000 - $8,000	$8,000 - $1,100
Insurance/Licenses	**$4,000**	**$5,000**	**$6,500**
Salaries	**$97,200**	**$216,000**	**$468,000**
Owner	$54,000	$108,000	$216,000
Employees	$43,200	$108,000	$252,000

Sources: Prices as of 5/2009 listed at several office supply stores and online retailers for average priced products in each category.

Assumptions: Rental spaces vary greatly by geography. Computer hardware and software is on a 1:1 ratio with employees for administration employees only, however industry specific equipment is shared by all employees.

FOUNDER'S EDUCATION & SKILLS REQUIREMENTS

The founder of a Winery does not necessarily have to have any specific qualifications. They should have knowledge and/or experience in management, accounting, and have a general knowledge of how the business should operate as well as regulate the quality of their product.

EMPLOYEES' EDUCATION & SKILLS REQUIREMENTS

Employees of a winery typically learn their skills through on the job training. There are no specific licenses or degrees needed to process wine. Agricultural skills can give an edge to employees as a large part of the job is growing the grapes and maintaining the vineyards.

SUB-INDUSTRIES

Wines, brandy, and brandy spirits
Wines
Wine coolers (beverages)
Brandy
Brandy spirits
Neutral spirits, fruit
Wine cellars, bonded: engaged in blending wines

SOURCES

http://www.census.gov/econ

http://www.bls.gov/oco

http://www.winebusiness.com

Trendology Research