



## LAND COMPANY

April 29, 2021

[REDACTED]  
[REDACTED]  
Rutherford, CA 94573

Dear [REDACTED]

First and foremost, thank you for providing Cru Land Company the opportunity to potentially work with you on the disposition of your vineyard assets.

All three vineyard assets are quality assets, and I think I can provide a unique skill set in taking them out to the market and getting them sold. Below I'll outline general market conditions, my approach to marketing and a detailed opinion of value for each ranch.

### General Market Conditions

As we've talked about, we are certainly in a transitional market. A historically large crop in 2018, on the heels of slowing wine sales growth in 2016 and 2017 introduced uncertainty in the wine and grape market that hadn't been seen in some time. That uncertainty is having a trickle-down effect to the land market. With all this in mind however, there is still a significant amount of capital to be deployed into the agricultural land markets, but I believe that capital is exercising more discretion than we saw in the frenzy of the prior 5 years. Sonoma County vineyard values rose as much as 50% from 2014 – 2017, but are nearly flat since 2017.

While available vineyard inventory remains generally low in Sonoma County, I would say we're seeing slightly more assets come to market than we have in previous years. As importantly, we're also seeing extended time-on-market for vineyards that aren't "signature vineyards" and aren't priced in-line with current market conditions.

Fundamentally I believe all three of the vineyard assets are quality assets. They all have scale, strong water, good access and appear efficient to farm. Except for the [REDACTED] Estate (which falls within the Sonoma Coast AVA), they all fall into what I would consider more secondary AVA's within Sonoma County. I believe that to be manageable even within today's current market, I think what's more important is the current farming economics.

Economic analysis shows all three vineyards appear to be approaching, or to have already reached a point where they are not financially viable. More detail is provided in each ranch's valuation, but generally it appears we are looking at redevelopment projects. Given that the wine-market appears to have tipped into excess, I personally think the timing is good for redevelopment as the vineyard should be coming back on-line when we've presumable reached into a more balanced market. Furthermore, there is quite a bit of agricultural capital in the market for redevelopment projects, if they are positioned, and priced correctly.

## Marketing the Vineyards - Approach to Marketing

As mentioned, the ranches have strong fundamentals from a vineyard perspective which I believe will make them desirable, even within this market as long as they are positioned and priced correctly.

To present the opportunity each vineyard-ranch provides, a full Information Memorandum (IM) will be produced. I've included a sample IM for review, from another ranch I'm currently marketing; the Russian River Grape Farm.

The IM will include:

- Property specifications
- Site characteristics
- Vineyard details
- Professional photography, and drone work where applicable.
- Professional mapping.

Over the past decade I've built a significant network of wine and agricultural investment industry professionals, as well as a select group of brokers' who work with similarly qualified vineyard buyers. I'm able to market vineyards directly to this network, and the IM is the centerpiece of that effort. The initial outreach will be to over 100 entities within the space for whom a project like this could be a fit.

These entities include:

- Premium wine-producers.
- Institutional agricultural investment managers.
- Premium wine grape growers.
- Private equity investment groups.
- Select real estate brokers.
- Other influential industry participants: Viticulturists, consultants, ag-lenders, et. al

If discretion is a concern, we can do a more limited marketing approach, one that potentially even requires an NDA, obviously an NDA will limit the exposure, and potentially, though not necessarily extend the marketing period, but it's very much an option. Alternatively, if exposure, and a full public marketing campaign is preferred, we can engage in that as well.

The breath of marketing is always a critical decision and I'd welcome an interactive discussion on this so we can achieve an appropriate level of exposure based on your internal goals and any constraints.

## Time Frame and Process

Once everyone has had time to review this proposal, I'd suggest we meet, and I can answer any questions or address any concerns. Items that will need to be finalized for each ranch prior to moving forward include;

- List Price
- Commission to be paid
- Length of listing
- Any special marketing requirements, or constraints

It's obviously critical to talk through the valuations and make sure everyone's expectations are aligned. Once valuations are established, as well as the other items above, if you all would like to move forward, we can put the necessary paperwork in place and move ahead.

Once the decision to move forward is made I will begin to compile the Information Memorandum's. Much of the necessary information is already in-place – the mapping and photography are the only remaining pieces and I would expect we could get those completed within 21 days.

In the meantime, I would propose taking an abbreviated version of the IM out to a limited number of potential buyers. The idea with this private marketing effort is to create urgency that they have an "early opportunity" before the ranches get presented to the larger market. Once the finalized IM's are in place, the marketing effort will begin in earnest.

## Conclusions of Values and Proposed Listing Prices

A detailed analysis and basis of my opinion of value for each ranch follows this letter. Below however, is a summary of my proposed listing price for each. It's important to note there's a lot of moving parts when pricing large vineyard-ranches such as these, and therefore this should be a starting place for our dialogue surrounding the pricing, and marketing of the ranches.

████████ Estate Ranch	████████ Estate Ranch	████████ Estate Ranch
\$5,495,000	\$8,995,000	\$4,995,000

Once again, thank you very much for the opportunity to assist you in the sale of these vineyard assets.

Sincerely,



David J. Carciere

DRE 01769240

david@cruland.com