November 18, 2013

To the Shareholders of Bel Vino (BV):

In the wake of the acquisition of Starshine Vineyards (SS) for $69.00 per share by the International Beverage Corporation (IB), we are addressing you as to what unfolded on the marketplace and explain why Bel Vino is better off without having been acquired.

In addition to the forecasted growth of international sales revenues from 10$M to 20$M, we are confident that Bel Vino can utilize its strengths of being a cost leader in the industry to make our existing business model even more efficient by reducing our days inventory and receivables, increasing our days payable, reducing our SG+A costs by 2$M to 4$M and our COGS by another 2.5$M in the upcoming 2 years (2014 and 2015). All these efficiencies will translate into sustained growth and returns for you our shareholders.

Our valuation of SS was based on the best and worst case scenarios from forecasted growth which placed the price per share in the most optimistic valuation at $65.58 per share. To achieve this share price, everything needs to go right for SS in a market which has started to see a decrease in overall supply of wine. There were simply not enough synergies between Bel Vino and SS to justify competing with the 69$ per share that IB and SS eventually settled on. Even if we offered SS our most optimistic valuation of $65.58 per share, we would have severely diluted our EPS by more than 10%. We felt that offering a maximum of $60/share would have struck the perfect balance in maximizing profits on the synergies achieved between both our companies while not greatly impacting our EPS.

As for the unwavering so-called “offers” from IB of only $50 per share, we felt that this was not enough of a premium to you for such a great company. In fact, we are confident that we can achieve this share price on our own in the near future and thrive as an independent company. To be completely acquired by IB, we felt that all shareholders deserved a reasonable control premium of ~15% on our valuation to bring the minimum share price we would have accepted to $59 per share.

Our business continues to create value by using our combined expertise, competencies, and manufacturing capacity to produce quality products for a broad market. We are confident that we can leverage these efficiencies to bring up the bottom line.

Sincerely,

Simon Foucher

Samuel Glazerman

Archna Soni

**Appendix (not intended for shareholders):**

In order to properly value our company, we analyzed the best and worst case scenarios of our forecasted growth and came to valuations from $43.91 (APV) to $46.75 (WACC) per share in the worst case scenarios and from $47.71 (APV) to $51.31 (WACC) per share in the best case scenarios.

To help us strategize for the right buyout price by IB, Bellini, LDT Enterprises, Power Bev and IB were eliminated as comparables due to their large sizes. We applied a 15% control premium and 10% goodwill set the price at roughly 65$ but removed the 10% goodwill to set the reserve price (walkaway) at 59$ per share

A similar analysis of SS was conducted and the most optimistic assumptions using the highest reduction in costs all in the first year lead the most optimistic share price of 62.36$ (APV) to 65.58$ (WACC) and the worst case assumption lead to a price of 53.20$ (APV) to 55.48$ (WACC) per share. We felt that adding a control premium would not be in the best interest of our shareholders, nor did we think it wise to set the reserve using the most optimistic scenarios. Therefore, we set the reserve at 60$ per share considering the margin of error in the valuation methods. Using the initial prices, this would translate into a maximum offer of 1.222 new Bel Vino shares for each existing share of SS.

Our strategy of setting our buyout price at $59.00 per share although seems like a large premium on top of initial share prices, we presumed that due to the interest garnered by shareholders for a potential merger or acquisition would increase the value of our shares. We would then leverage that increased share price to command at least our 59$ per share buyout.

At the onset, as we predicted, our share price jumped to $45.30 per share and IB came back with a $50 dollar per share offer. SS also went up to $52.88 and we offered 1.333 shares with the new prices. IB never increased their offer, except unofficially when 52$ was mentioned briefly. It still wasn’t anywhere near where we set for our reservation price. Considering SS was finally acquired at $69/share, we felt that we weren’t able to afford merging with this company at such a premium due to the extreme dilution of EPS of greater than 10%. It is clear that there was no overlapping of reserve prices set between us and SS due to the large premium they secured for their shareholders.

However, we still feel we made excellent decision in foregoing any merger or acquisition based on the circumstances.