

Greetings from The Vines of Mendoza!

We are glad to inform you that your vineyard is doing well and the first half of the year was very good. During the first two quarters of 2009 we carried out summer maintenance tasks and pruning activities began in June. Over these months we also encountered some difficulties, like worm pests and Zonda wind - which are perfectly normal and to be expected in any agricultural business.

Perhaps most exciting was the unexpected harvest in 2009, only about 18 months after planting. We sold the majority of the fruit to Catena Zapata and are making wine for distribution among our 2007 vineyard owners. The wine is currently in French oak barrels in the cellar in Achaval Ferrer Winery and is looking very promising.

This report describes all the activities happening in the vineyard. It also contains a detailed report specific to your vineyard. As always, if you have any questions, please do not hesitate to let us know and we will be happy to answer all of your questions.

Saludos,

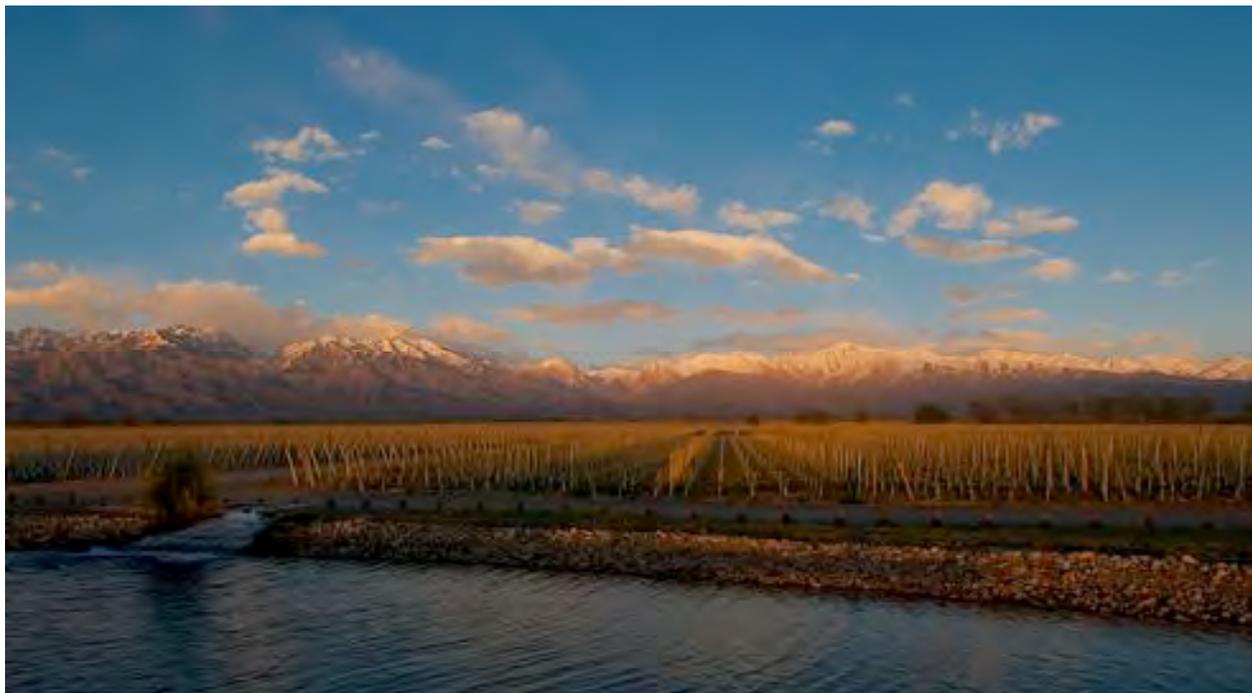
Michael and Pablo



Michael Evans
Co-Founder



Pablo Giménez Riili
Co-Founder



The Vines of Mendoza – Private Vineyard Estates

WEATHER REPORT (January – June 2009)

In the summer months (January - March) factors like temperature and rainfall can determine the date of harvest and the quality of the grapes. During the first half of 2009, we were fortunate to have dry and warm weather, which created intensely concentrated grapes.

During the first quarter of 2009, average temperatures were 86° F / 30° C (high) and 62° F / 17° C (low). During the second quarter of the year, our fall and winter, we had unusually warm weather before temperatures finally dropped in early June. Average temperatures during the fall months (April - June) of 2009 were 62° F / 17° C (high) and 44° F / 7° C (low). Also, during May and June, we encountered several episodes of Zonda winds.

Included here for your reference are the average rainfall and average temperatures for the first two quarters of 2009.

AVERAGE RAINFALL IN 2009	
PERIOD	INCHS/MM
Jan 2009	4.3 / 110
Feb 2009	0.3 / 8
Mar 2009	1.6 / 41
Apr 2009	0 / 0
May 2009	0.07 / 2
Jun 2009	0.15 / 4

AVERAGE TEMPERATURE IN 2009			
PERIOD	HIGH	LOW	AVERAGE
Jan 2009	88° F / 31° C	64° F / 18° C	75° F / 24° C
Feb 2009	88° F / 31° C	64° F / 18° C	77° F / 25° C
Mar 2009	84° F / 29° C	62° F / 17° C	73° F / 23° C
Apr 2009	79° F / 26° C	53° F / 12° C	66° F / 19° C
May 2009	64° F / 18° C	44° F / 7° C	55° F / 13° C
Jun 2009	44° F / 7° C	37° F / 3° C	48° F / 9° C



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OVERALL VINEYARD DEVELOPMENT

During the first quarter of 2009, we focused on irrigation and fertilization, pest and fungus control, and we harvested in March. In the second quarter, we pruned and we decreased irrigation in order to prepare the vines for the winter season and dormancy.

Q1 SUMMER: January / February / March

During the first three months of the year, as we move from summer to fall, the vines go from the growing phase to the ripening phase. Irrigation and fertilization are essential to the vine during the growing phase in which the berries start to develop and change color. Canopy management together with adequate pest and fungus control are also key factors to maintaining and growing healthy plants and good quality fruit. During the first quarter, as the growing season was ending, our focus was on these activities.

IRRIGATION AND FERTILIZATION

Irrigation, which is important year round, takes on additional importance during the summer months (Jan-Mar) as temperatures can reach highs of 113° F / 45° C. Our irrigation system works 24 hours a day during this time, supplied by a 660,430 gallon / 2,500,000 liter reservoir that channels water into the individual irrigation systems in the vineyards. On a typical day during summer, we will pump 1.9 million gallons / 7.2 million liters of water into the vineyards.

Irrigation Regime: high flow rate

The amount of water a vine receives controls its growth and vigor, and eventually the quality of the fruit it will produce. During the growing phase, the vine needs an adequate amount of water (4-5 mm/day) to develop vine structure for vertical growth and to establish the root system. When we are irrigating at maximum, it is referred to as high flow rate. We used a high flow rate in your vineyard from the beginning of the growing phase through February.



Irrigating the vines

Irrigation Regime: low flow rate

Once the vines are established - the ripening phase - we concentrate on the quality of the grapes and reduce the amount of water is to (2-3 mm/day). This water restriction will enhance color and concentrate flavors and sugar by a controlled grape dehydration - this process is also known as water stress. When water is being restricted, it is referred to as low flow rate. We used low flow rate irrigation in your vineyard throughout the ripening phase in March and April.

Irrigation System Maintenance

Proper maintenance of the irrigation system is critical for the survival of the vines. The key element of the irrigation system are the hoses and drip emitters. Maintenance consists of tightening the hoses as needed, and dissolving any traces of carbonates that can block the drip emitters using phosphoric acid. The acid is distributed through the irrigation system inside the hoses, lowering the Ph of the water which allows any carbonates to break up or dissolve and drain out of the hoses. We also use low doses of chlorine to kill seaweed and algae that

can come from the reservoir and obstruct the emitters. Also, as part of the irrigation system maintenance we check and clean all main filters, one per variety in each lot.

Fertilization

Fertilization is designed to raise the supply of available soil nutrients to the levels required for optimum grapevine growth and yield. To assist with the growth of the vines during the last months of the season we utilized a soluble nitrogen-based fertilizer, which is injected directly into the irrigation system. This procedure, also known as "fertigation" has several advantages: it provides the largest absorption by the vine (reaching the root system thoroughly), it saves labor and machinery, and it provides the most efficient use of the costly chemicals and fertilizers being applied.

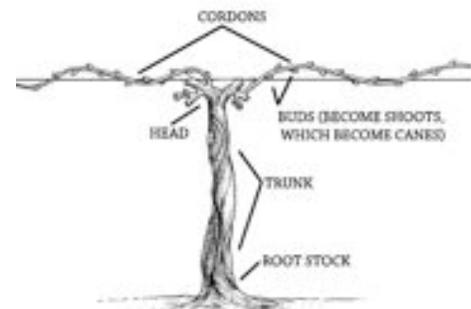
In your vineyard, we distributed approximately 12 pounds of fertilizer per acre during the months of January and February at a high flow rate. The fertilizer we used is "Solmix". We chose it due to its composition and proportions of nutritional elements that are perfect for the needs of a young vineyard at the end of the growing season.

CANOPY MANAGEMENT

The canopy is the "curtain" of leaves and shoots that surround the grape clusters on the grapevine. The canopy includes all the parts of the vine visible above ground - the trunk, cordon, stems, leaves, flowers, and fruit. The canopy plays a key role in capturing light energy via photosynthesis, regulating water use by transpiration of the leaves, and creating a microclimate for ripening grapes. Canopy management affects almost all aspects of viticulture - grape yields, quality, vigor, and the prevention of diseases. In addition to pruning and shoot thinning, the canopy is also trained on trellis systems to guide its growth and assist ongoing management and harvest.

Shoot Thinning

In January, we removed all shoots that were not well positioned, i.e. all shoots that are not growing vertically from the cordons. We selected the best from among the various shoots, leaving 1 shoot every 0.4 inches / 10 cm for a total of 10 to 12 shoots per plant (5 - 6 shoots on each cordon). Once we selected the best shoots we positioned them vertically by placing them in between the wires of the trellis system. The purpose of shoot positioning is to maximize sun exposure of clusters and leaves. The result is a more efficient photosynthetic process, which will ultimately generate better fruit.



Structure of a vine

Topping

In late January, after shoot thinning, we carried out "topping" in your vineyard. This activity consists of cutting any shoots that are longer than 40 cm / 15 inches and surpass the top wire. In young vines, during the first three years, the goal of topping is to establish the vine and its structure. In later years, when the plant is already established and under production, topping serves to regulate the yield, i.e. the amount of fruit that the plant will produce. Topping also helps to maintain a healthy environment around the clusters and distribute them proportionally along the cordon.

Veraison

Véraison is a French term that has been adopted into the English wine industry. It refers to the change of color of the grape berries. It is a complex cellular process that takes places inside each berry and represents the transition from



Berries undergoing veraison

growth to ripening and the maturation of the seed. In your vineyard, this process occurred in January. The most noticeable change during this process is the change in color evident in the berries.

VINEYARD FLOOR MANAGEMENT

Vineyard floor management encompasses soil and weed control. There are several techniques that can be used to manage the vineyard floor. In your vineyard we apply herbicides, mow the cover crop and remove weeds and stones manually. These activities are detailed below.

Cover crop

A cover crop is grown primarily in between rows to add organic matter and nutrients to the soil. It also serves to protect the soil against climatic conditions and provide weed control. A strong cover crop can compete with weeds and help suppress development in between the rows. Cover crops are also beneficial for the vines as it can lower the vineyard temperature during summer.

In your vineyard, the cover crop is the natural vegetation; no special crop has been planted. During the first quarter, we mowed the cover crop in your vineyard in between the rows in January and March.

Weed management

The main reasons for controlling weeds are to conserve soil moisture, reduce competition for nutrients with the vines, improve air circulation to reduce the incidence of disease, reduce competition for sunlight, and to make labor during harvest easier and more efficient.



Cover crop

In your vineyard weed management is carried out by the application of herbicides. In January and then again in March we applied approximately 1.6 liters per acre sprayed in a 3 – 4 ft wide strip along each side of the row.

Stone removal

The soil in the Uco Valley contains a high percentage of stones. It is necessary to remove these from in between the rows before mowing the cover crop to avoid damage to the mower. During the first half of the year, in February, we did stone removal in your vineyard.

PEST & FUNGUS MANAGEMENT

For pest control we use a mechanized sprayer against ants and worms, and an additional application against ants with a backpack sprayer throughout your vineyard. During the months of January and March we sprayed pesticide in between rows and around the perimeter of your vineyard.



Worms

One of the challenges we encountered in March was an infestation of worms that eat the vine leaves. This pest was not specific to your vineyard, but was found in most of the vineyards in the project and in many other vineyards in the Uco Valley. Fortunately, we were able to combat this pest with biological and organic efforts: we sprayed the leaves with *Bacillus Thuringiensis*. This

is a bacterium that only affects the worms by attacking their digestive system. Despite the challenges with this pest, there were no major damages in your vineyard and we were able to control the problem in less than a month.

To control Powdery Mildew and Downy Mildew, we used mechanized sprayers to apply fungicides. We used copper and sulfur as fungicides, which are organic products. On average each application consist of 121 gr. per acre, depending on the weather. For the first quarter of 2009 we were lucky to have warm and dry weather so we only did two applications of fungicide in January and March.

Q2 FALL: April / May / June

During the second quarter, as we move from fall to winter, the vines loose all their leaves and slowly enter dormancy. By the end of June, when we started winter season, we performed pruning.

FERTILIZATION AND IRRIGATION

In April your vines were irrigated at low flow rate then from May to July we irrigated your vineyard only twice a month to maintain the moisture of the soil and did not apply any fertilizer due to the fact that during the winter months the plant is dormant and needs minimal resources.



Fall at the vineyard

Irrigation system maintenance

Tasks for the proper maintenance of the irrigation systems were the same ones performed during the first quarter: tightening of hoses, if needed; checking the drip emitters to be sure they are in good condition, cleaning of filters, etc.

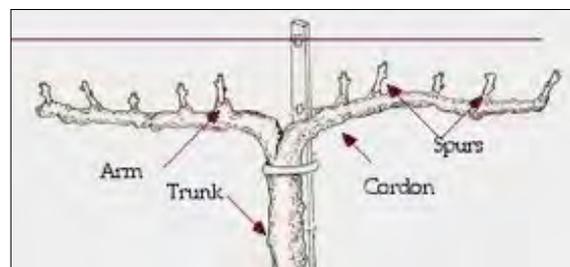
TRAINING & TRELIS SYSTEM

During the months of May and June we performed standard maintenance tasks including checking growing tubes, training stakes and tightening of the wires where necessary.

PRUNING

Winter pruning is performed during the vine's period of dormancy, typically over the winter months. In young vines, like yours, this is one of the most important tasks to carry out in the vineyard as it defines the structure of the vine for years to come. In older vines, winter pruning becomes critical to controlling the crop size, the quality of the grapes and to keep the growth of the vines manageable.

There are several ways of pruning vines, but our Vineyard Development Team, together with our consultants Diego Reina and Santiago Achaval, agreed that the best option was to prune all vineyards in accordance with the bilateral cordon system. With this method the vines have a short trunk, about 19 in / 50 cm, and have a permanent branch, or 'cordon', which is trained along a wire on both sides of the vine. The cordon, which is never pruned away, bears a number of spurs, which are subject to spur pruning each year.



Bilateral cordon system

In the case of your vineyard, in the first year (winter 2008) the vines were cut down to two buds, selecting the best and strongest ones, which now form the trunk of the vine. In the pruning performed this year in June, we selected the strongest shoots (which at the end of the season are called canes, once they become hard and woody) that will form the two bilateral cordons. From these cordons we will select the best shoots for the next growing season. The final step of the pruning process is tying the canes to the wire to guide the vine's growth.



Pruned vine



The Vines of Mendoza – Private Vineyard Estates

2009 HARVEST

In mid-March we had the first harvest from those vineyards planted in 2007. We did not anticipate making wine this season, but the quality of the grapes was too good not to do so. The fruit was so good in fact that Santiago Achaval decided to include his grapes from his vineyard in the 2009 Achaval-Ferrer Quimera. The 2006 Quimera received 94 points from Wine Advocate, so we have high hopes for both Santiago's wine and the quality of the grapes. Below you will find a recap of this year's harvest and ensuing winemaking activities.

Picking

Under the supervision of Santiago Achaval, we harvested a total of 30,950 kg. of Malbec, Cabernet Franc, Cabernet Sauvignon, Merlot, and Syrah. A crew of 30 people harvested the grapes into small hand-held bins. We sold the majority of the grapes to Catena Zapata Winery, and used the rest to make wine. The grapes we kept were processed at the Achaval-Ferrer Winery, where we first de-stemmed the clusters and manually sorted the berries before gently crushing and transferring them directly to fermentation tanks. It was not necessary to correct acidity or add sulfate to the must, and we did not find it necessary to bleed off any of the juice to improve concentration and color extraction.

Fermentation

We fermented the Malbec in 5000-liter tanks, and the other varieties were fermented in two small "t-bins" given their lower volumes. We inoculated all three varieties with low aromatic impact yeast. We performed continuous pump-overs on the Malbec for periods of 12 hours a day. As fermentation temperatures did not go over 31 C, there was no need to cool the tank. In the t-bins, we did manual punch downs every 2 hours during a 20-hour period each day.

CHEMICAL ANALYSIS INFORMATION

ALCOHOL: 15,5
PH: 3.8
TOTAL ACIDITY: 6.8
VOLATILE ACIDITY: 0.29

Maceration

Maceration is the process by which the juice is left in contact with the skins and seeds. Maceration lasted for 10 days after fermentation was finished. We then siphoned off the "free-run" wine and separately gently pressed the skins and seeds to obtain "press-run" wine. Due to the small quantities of each type, we decided to immediately blend them as a way to achieve maximum complexity from this initial harvest. As a result we have 11 barrels or 2,475 liters of wine, which is equivalent to a 60.4% yield – very respectable for a first harvest (especially from second year vines).

The wine is currently in French-oak barrels and we expect that we will bottle in November. We used three new barrels, two of second-use and six of third-use. We chose to use a blend of used and new barrels because this wine is coming from young vines. Using all new barrels could have resulted in a saturation of oak in the wine since it does not yet have the structure or density to balance entirely new oak.

Next steps

The wine has been in the cellar at Achaval-Ferrer Winery where it underwent malolactic (secondary) fermentation and aging in barrel. The barrels have been topped (filled) on a weekly basis to prevent oxidation. Over the next couple of weeks, we will determine if racking (separating the wine from its lees, or sediment) is needed. At that time, we will also assess if any more barrel aging is needed. Depending on the evolution of the wine, we will consider the possibility of filtering and clarifying it prior to bottling which we expect will happen toward the end of the year.



2009 Harvest at the Private Vineyard Estates

Q3/Q4 PREVIEW: Winter & Spring

During July and August we finished with pruning activities before the snow fell. The vineyards covered in snow were stunning. Because the vines are dormant, the snow poses no threat. In late September, as we moved into spring, we began irrigating at higher flow rates and fertilizing. In October we started planting our new vineyards - approximately 70 acres. We also carried out replanting in those vineyards where it was necessary. In December your vines will start carrying cluster, which will allow us to do a cluster count and prepare for next harvest in March 2010, adjusting the management of your vineyard to the style of wine you wish to make. In January we will send out another report on all the activities that take place in the second half of 2009.

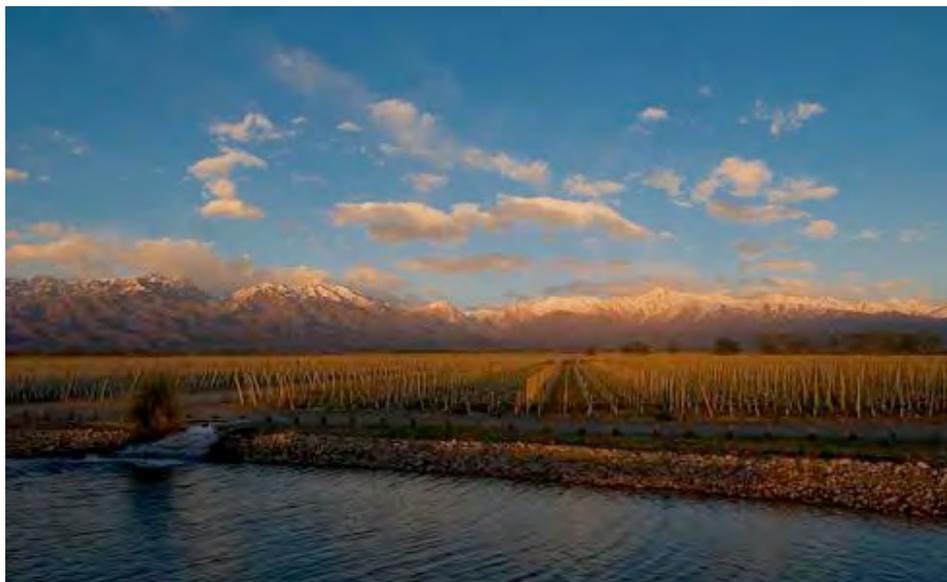


Private Vineyard Estates in winter

CONCLUSION

This second growing season and specifically the first half of 2009 was a great success. The development and maturation of the vines are impressive and we are thrilled about the excellent quality of the grapes. We are very excited about this coming season and your first "real" harvest in March of next year.

Thank you for your support and trust. We are looking forward to making amazing wine together.



INDIVIDUALIZED VINEYARD INFORMATION

CHAIKEN – Chaiken Vineyard

We are pleased to inform you that over the first two quarters of the year your vineyard was in excellent condition: the vines were healthy and presented no fungal diseases. There was one episode of pests that not only affected our entire vineyard but all of the Uco Valley. However, we successfully managed to control the worm pest in less than a month with no damages to the vines. We are also very pleased with the quality of the grapes harvested in March and the evolution of the wine. We are preparing for the first real harvest of your vineyard, in March 2010, focusing in irrigation and fertilization, and canopy management to define grape yield and quality.



Chaiken Vineyard