



CIRCULAR TO INVESTORS

RUMOURS ABOUT QUALITY OF OUR STORAGE FACILITIES

It has been brought to our attention that competing storage organizations have suggested that our facilities are not up to scratch to store investors wines. Any such claims are false and investors should be aware that these false claims are being made to entice investors to these competing organizations.

However, we thought we would clear up these rumours with the following facts:

Fact 1

There are over 1,000,000 bottles of wine being stored by us. It is not economically feasible to store all these wines within the Sydney metropolitan region and we do not intend to do so. Even when the wines were being held by the liquidator, it was necessary to store the wines at 4 different locations (including one in Victoria) due to spatial constraints.

On the other hand we have found it far more efficient to store the wines in two locations, one for the vast bulk of the wine and a smaller more secure location for the "high value" wines.

Fact 2

The bulk of the wine is stored in the Hunter Valley region. It is stored in refrigerated, humidity controlled premises. The premises themselves are 7 years old and were originally developed by a large public company for its own refrigerated wine and barrel stores. The suggestion that these premises are not suitable are ridiculous in the circumstances.

The high value wine is stored in a custom built refrigerated storage facility. The reason for the separation was due to the inherent value of this wine compared to its quantity which made it a far larger "theft" risk. These custom built premises have a number of physical and electronic security devices (including multiple location CCTV's, as well as back to base and physical monitoring).

Fact 3

We removed the wine from existing facilities. We know what those facilities are like. When compared to the facilities from which wine was removed our facilities are equal to or better than any of those facilities, and for the high value wines, much more secure.

On the other hand, we do not divulge the exact location of the wines for security reasons. How then any competitor can comment on the nature of our storage facilities is beyond us.

Fact 4

Our insurance companies and banking institutions have reviewed the facilities and satisfied themselves as to their suitability. Our insurance company in particular, engaged third party experts to assess such things as the adequacy and state of any refrigeration plants, fire hazards and security procedures, which was necessary for the underwriters to write the insurance. At no point has it ever been suggested that the facilities are anything other than entirely adequate.

We welcome any feedback from investors who have heard any such rumours so that we can help stamp out this misleading and deceptive conduct.



NOMINATION SYSTEM GOES LIVE

After a few delays and a good deal of testing, investors now have the option of going into WAM and nominating the wine that they wish to sell and the price that they wish to sell it for.

To access the nomination system all you have to do is to login to WAM and go to "Nominate for Sale", review and agree to the sales agreement and proceed to nominate the bottles of each wine in your portfolio and the price you want for those wines.

After entering your nomination a notice will be sent to us so that we can check the nomination for any errors or for prices that are not practical. Once approved by us, your nomination will then be formally recorded and the net number of wines available for dealing with in your wine portfolio will be reduced.

Once the nomination is approved, the wines will be entered into our sales databases and our team will then seek to sell your wines for the prices nominated by you. We won't sell your wine for less than the price nominated. However, we will sell wines of a particular type from the cheapest nominated price in preference to the most expensive nominated price, and only when the price nominated is the same, in preference to the person who first in time nominated the wine.

We will be selling wines through our wholesale and export networks, selected auction sites and directly through our retail and online channels. Currently we are updating our own Wine Clubs site, Wine For Life to link to Heritage wines available for sale.

We hope that as time goes on, our system will become an effective and efficient way to sell your wines to allow you to realize your investment.

AND NOW FOR THE BAD NEWS

We expect that many investors will seek to nominate their wines for sale creating a large pool of wines that we will need to sell. Ordinarily, this will mean that it might take a little while for some momentum for sales to build and for possible purchasers to be aware that large parts of the Heritage portfolio are coming onto the market.

One factor that may impact on the ability to get momentum in sales is the fact that Crouch Insolvency are seeking to sell all the wines that they control in one hit. First up, they are in the process of selling the 55,000 bottles of "house" wine that is directly under their control, only to be followed by a further 120,000 bottles of "lien" wine.

Whilst we were always aware that Crouch would ultimately decide to sell his wine, the timing of the sales is unfortunate for investors as there will, in our view, be a significant overhang of stock in the market for the time being which will have a deflationary effect on the prices that can be achieved. We can only hope for investors sake that the market aberration that will be caused by Crouch Insolvency selling off their stocks will abate quickly with a fast return to normal market conditions.

Regards

WINE INVESTMENT SERVICES PTY LTD