



## Our Wines

Cabernet Sauvignon  
Merlot  
Chardonnay

The Napa Valley is known for its world-class wines. The region has a very rich volcanic soil base that adds both nutrients and flavor to the grapes. The long warm growing seasons, adds to the complexity of the wines. Our family has seven decades of experience crafting the regions most highly respected wines. We provide an estate grown Cabernet Sauvignon, a Merlot from the Diamond Mountain region and a Chardonnay from the Carneros region.

...Enjoy!



## Winery History

In 1934, Giuseppe Fontana, at age 8, was sent on a boat from Sicily to America. With nothing but the clothes on his back and twelve dollars in his pocket, Giuseppe began his new life in America. He would be raised by his uncle Guido, where he learned how to make wine in the cellar of their home. At age twenty-three, Giuseppe ventured to the Napa Valley to pursue his love of winemaking. Now seventy years later, Giuseppe's grandchildren continue the great wine making traditions that the Fontana brand is known for.



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# Fontana Cellars & Inn

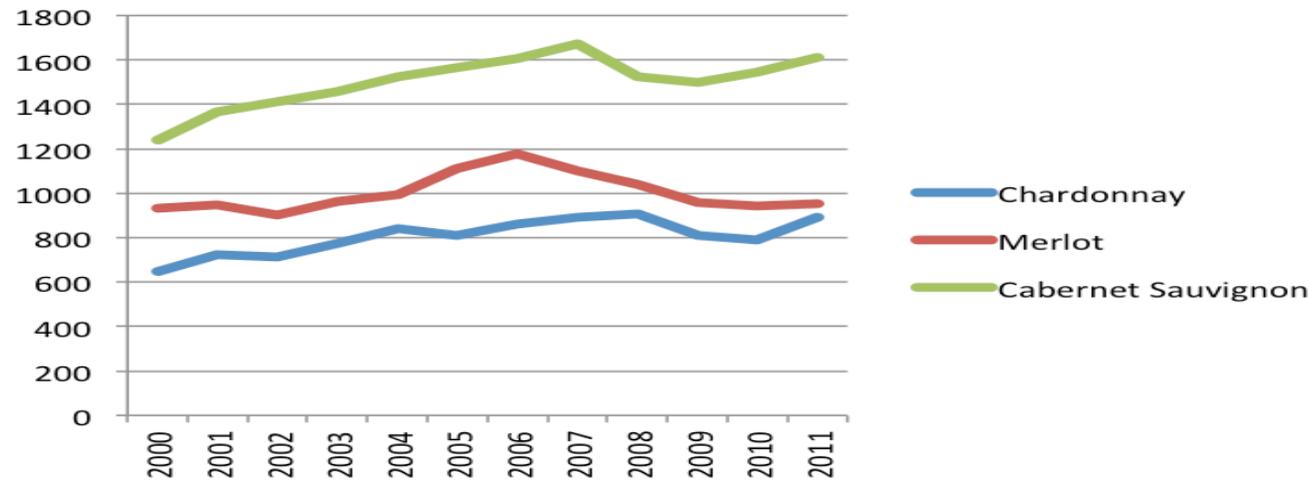


## Investor's Quarterly Update



Spring, 2012

## 2011 4<sup>th</sup> Quarter Sales



## 2012 Harvest & Sales Projections

2012 looks like it could be a winner year for the Napa Valley grape harvest. Forecasts predict that the region will experience consistently warm days from Spring through Fall. Some fear that there could be an excessive number of heat spikes that could kill the berries, but most meteorologists don't see this happening.

Last year, the problem was a cool season that averaged temperatures in the low 80s that made it difficult for the fruit to ripen. The fruit was still on the vines when storms were threatening in October. Not this year. Most farmers feel they should be able to have the fruit harvested by late September.

The real concern is the lack of rain this year. So far, the region has received only forty percent of normal rainfall. Lack of rain could stress the vines. The good news is that the reservoirs and water tables are very healthy as a result of an abundant rainfall in the previous two years. This coupled with moderate

temperatures should provide minimal water concerns.

Although the Glassy Winged Sharpshooter is a real and continuing concern to vintners, infestation concerns have not materialized. As a result of constant monitoring and spraying, farmers have successfully abated any infestations.

The rewriting of immigration laws was a tremendous concern to the farmers. This is still an issue that could paralyze the industry, but this being an election year, it seems that no one wants to deal with immigration issues, thus the labor force should be intact.

Cabernet and Chardonnay sales are projected to increase as the economy continues to rebound (see graph). Merlot sales are a concern though. Merlot sales had begun to stagnate prior to the recession and now as the other varietals rebound, Merlot sales remain flat. It is believed that many Merlot drinkers are switching to other varietals, which explains the lackluster sales.

### Cabernet Sauvignon

Over 1600 cases of Fontana Cabernet Sauvignon were sold in 2011, 900 alone in the fourth quarter. As usual, most of it flowed to the New England states, in particular New York and Boston. Surprisingly, North Dakota is a growth market for our wines. It appears that as many state economies are stagnating, North Dakota's economy is expanding, and with it wine consumption.

### Chardonnay

Almost 900 cases of chardonnay were sold in 2011. Several years ago, Fontana started harvesting chardonnay grapes from the Carneros region instead of estate grapes. The results are in and the first vintage of Fontana's Carneros chardonnay has been a tremendous success. The entire production sold out. Fontana intends to increase productions by 30% next year.

### Merlot

Fontana Merlot sales increased in the 4<sup>th</sup> quarter bringing the year total to 953 cases. Overall, Merlot is showing lackluster growth.