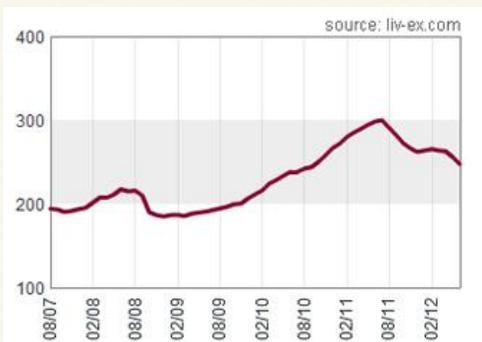


A PUBLICATION SPECIFICALLY DESIGNED FOR WINE COLLECTORS IN OUR COUNTRY

Welcome to the first edition of Canadian Wine Collector, a newsletter specifically written with the interests of oenophiles in Canada. While there are a host of publications to suit the needs of collectors elsewhere in the world, the Canadian market is very different and we thought an information gap existed that we were in a unique position to address. As any collector knows, our regulatory issues, shipping issues, events and industry insiders are unique to the Canadian market. Our goal in this inaugural issue, and those to come, will be to enlighten those that share our passion for great wines. If you have interest in a particular story line, please let us know. If you have friends that share your love of the grape, have them contact us and we'll ensure they're on our list. We have chosen a PDF format for easy printing and saving. Enjoy!

MARKET CONDITION BRIEF

The Bordeaux 500 index provided by Liv-ex is showing a correction in the last year with an overall gain of 36% over 5 years. Second growths have fueled most of the advances while Lafite has brought down the firsts on a softening of demand in Asia and a move to Burgundy. We will continue to watch how this general trend affects our market and report. Time to buy?



REGULATORY ISSUES - BILL C-311

There has been much talk and print on the recently passed bill C-311...but what does it mean for collectors? For those unaware of the bill it simply allows consumers to bring wine (or "cause to be shipped"-important) across provincial borders striking down a law dating back to 1928. Notice that "wine" doesn't mean "Canadian wine" which would not be allowable under NAFTA so herein lies the best opportunity depending on what the LCBO chooses to do with the new ruling. The feds have left the details up to the provinces to define what constitutes "personal consumption" and the LCBO seems to think that "causes to be shipped" doesn't include online sales...which is ridiculous. Suffice it to say that C-311 is a great start and is getting a lot of press. We believe that if the LCBO renders it moot by imposing restrictions contrary to the spirit of the bill, people may stand up...or at least we hope so. Stay tuned.

INDUSTRY INSIDER

Q&A WITH GREG ZEISMANN

CELLAR ARCHITECT AT THE WINE ESTABLISHMENT - TORONTO

If you've seen some of the great wine cellars around Canada you invariably have come across the work of Greg Ziesmann. Greg heads up a team of 30 talented individuals at The Wine Establishment who build everything from architectural showpieces to utility storage. While most of their work is concentrated in Ontario, they have projects all over the world. I sat down with Greg over lunch to find out what a collector should know from a master cellar builder and what inside knowledge Greg can share:

Q: What's your specialty and how are you different from your competitors?

A: We're not retailers, we're architects and advocates; an advocate for the dream cellar for their home. In our first

meeting I teach them the language of architecture so they can articulate what they want. We discuss the major components and how they're tied together; room envelope, room finishes, climate control, entry systems and lighting. We also discuss the wine program because you can't design a cellaring response without knowing what's going in it.

Q: Are you always responsible for the whole project, start to finish?

A: It varies, sometimes we're just doing consulting, sometimes only climate control and often we're a one-stop shop. I'm a registered architect and we run our studio like an architectural practice but can also offer full construction.

Q: What are some of the most interesting projects you've worked on?

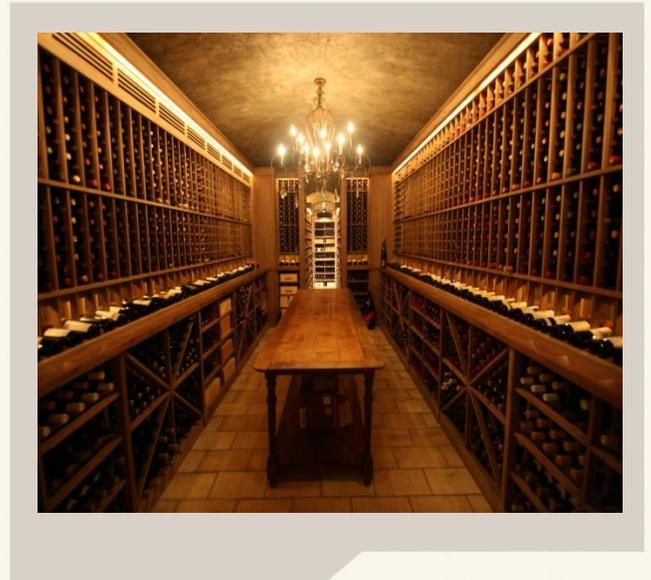
A: The German engineer in me gets excited by the new building science technologies and I spend a small fortune constantly learning these. But the ones that are exciting are the ones with heavy logistical challenges like the Banff Springs Hotel. Here we built a 90,000 bottle holding cellar with a series of dumb waiters feeding the 21 different cafes in the complex. Everything alarmed, inventory controlled and climate controlled moved while everyone is sleeping.

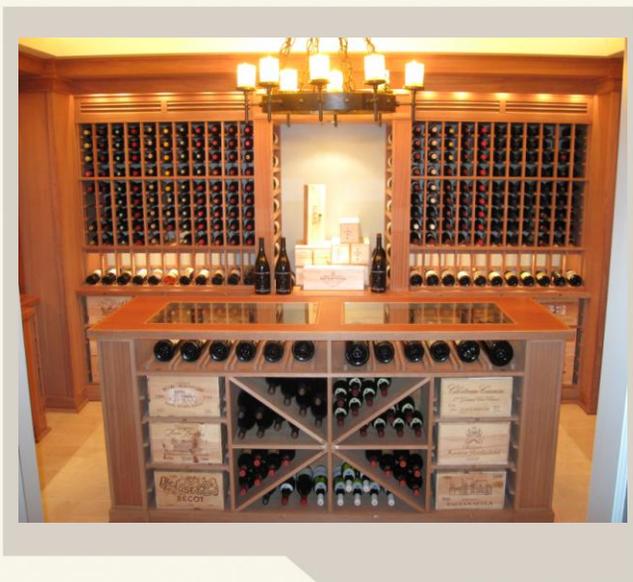
Q: What's the largest, non-commercial cellar that you've built?

A: We did a project in Bermuda for 18,000 bottles with a reserve room the size of a football field...it was awesome.

Q: What do you say when someone asks, without knowing all the possible permutations, "what's a wine cellar going to cost me"?

A: I never answer that question. It's like saying "give me a quote for a car". Anything will get you from A to B but at what level? If pressed I'll generally say entry level at \$10K and beginning of a showpiece cellar at \$30K. However, we haven't done a complete cellar job for less than \$50K in the last 5 years. It's always a design budget first but then we could have the racking in walnut or douglas fir which has a huge cost difference. So to ask what it costs isn't fair because there are too many variables.





Q: What are the most common mistakes either requested or those that you've had to come in and fix:

A: Fixes usually relate to chemicals and gases. For example, walnut veneer that uses an adhesive filled with formaldehyde, non-latex or water based caulking, chemical based coatings or stains. Other mistakes include asking for too big a room, too much showpiece and not enough utility, and not thinking what your cellar will look like at year 10.

Q: How many projects will you work on in a year or at any given time?

A: About 3 a week or 150 projects a year.

Q: What is the oddest or most outrageous request you've had?

A: We built a wall spittoon which was an old horse trough

that we lined with copper. It actually looked like a fountain but we engineered the water flow so it when you spit it wouldn't splash back on you. The water flow becomes a trap. We spent the better part of a month spitting into that and I learned a lot about hydrology from that job. The other application that's very unique are warm rooms where we use air curtains so you can sit in the middle of a room and it's 68° but the wines along the wall are at 57°. The cool air circulates at the bottom of the bottles and chills the glass cone through cold air convection. Baffles in the wine racking steer and collect the air so it can't move out. When you leave, shutting the door triggers a sensor so that the entire room re-chills for maximum energy efficiency. Engineering challenges like that are a lot of fun for us.

Q: Have you ever turned away a project?

A: Only when they ask me to warranty a project that I know is going to fail. Otherwise we can always find a cellaring solution to match the budget.

Q: How much work do you do outside of Toronto?

A: About 30% of our residential work is outside Toronto. We do quite a bit with high end home builders in Alberta. I think we make them look good which is key. On time, error free, always on budget. I'm on budget 100% of the time.

Q: What do you enjoy the most about what you do?

A: I'm doing what I love and we're working really hard to make sure we're at the leading edge of cellar design and construction. I never look at the competitors because I'm doing what I like to do and what I like has a tendency to be ground breaking. Crystal cube cellars, fiber optic lights inside steel bars that support the bottles creating a light mosaic...some of the stuff we're doing with lighting is phenomenal.

Q: Is there an end goal?

A: I'd like to say that a bottle that was 100 years old was perfectly cellared in one of my rooms. I won't be alive, but I'd like my son or grandson to find that out.

Greg can be reached at The Wine Establishment at 416-861-1331

CANADIAN AUCTIONS



VINTAGES MAY ONLINE AUCTION QUICK FACTS

- 328 Lots offers with pre-sale high estimate of \$395K
- Total sales of \$263K leaving 34 lots unsold
- Single SKU lots between \$182K and \$223K sold for \$190K, low end of the scale
- Average 8.3 bids per lot.
- Highest interest in large formats, mainly 3L and 5L
- Single bottle of 2007 Sine Qua Non Pictures selling for \$1,450 - \$1,150 over high estimate

Auction season kicks into high gear in the fall and winter but there's still plenty to watch over the spring.

The recent largest was the Vintages online auction which, at about 10% of its live auction, still offered up a material amount at \$395K worth of product.

Analysis of the single SKU lots (not mixed lots) showed that sales were soft with the total being \$190K of the \$182K - \$223K range. Lots of note included:

- Three single bottles of '89 Petrus selling for \$400 below their low estimate of \$2.9K each
- Two single bottles of '00 Le Pin selling \$700 below the low estimate at \$2.7K with a world auction value* of \$3.5K
- Magnum of 2004 Harlan Estate selling for \$1,930 off a world auction price of \$887
- Magnum of 1999 Latour selling for \$2,925 off a world auction price of \$1,141

We'll have to see if the few online auctions will make a dent in the sheer size of the fall live auction. Let's hope so.

Other auctions held recently were for Covenant House and UCC. Covenant House was light with only 50 lots being offered live and some good deals. UCC fared better with 120 lots that Arron Barberian got through in a few fun hours.

Upcoming in the fall for charity auctions to watch are the Toronto Symphony, Serve! and Oakville Hospital. We'll report closer to the dates but it looks like there will some good deals to be found here for those who do their homework. History has shown that some of the best opportunities lie in the mixed auction lots where analysis takes time. Let us know if you need assistance.

*World auction prices are based on Wine Market Journal which lists prices inclusive of premium, exclusive of tax. Comparative LCBO prices are based on same formula

COLLECTOR QUICK TIPS



- Check the angle at which the showpiece wines in your cellar are sitting (left). We see many are displayed slightly upright so showcase the label without realizing that the cork is no longer in contact with the wine which could cause drying.
- Watch the lights in your cellar. Direct pot lights on the ceiling, if left on too long, can have a significant temperature effect on the bottles on the top few rows. Use the lights as little as possible or consider changing to LEDs
- Install remotely monitored temperature and humidity monitoring systems if you're regularly away from your cellar (i.e. cottage, Florida, business) for an extended time. Broken cooling units can generate significant heat if unchecked for days.

ABOUT US

www.irongatewine.com



Warren Porter is President of Iron Gate - Private Wine Management, a storage and services provider based in Toronto, Canada. As the operator of two storage facilities totaling almost 10,000sf, Iron Gate is the largest private provider of storage services in Canada.

In addition, Iron Gate provides home cellar management and monitoring systems, professional buying services, estate wine auctions, and charity wine auction services.

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