

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF VIRGINIA
CHARLOTTESVILLE DIVISION

KLUGE ESTATE WINERY)
AND VINEYARD, LLC)
2621 Coopers Lane)
Charlottesville, VA 22902)

PATRICIA M. KLUGE)
2621 Coopers Lane)
Charlottesville, VA 22902)

WILLIAM J. MOSES)
2621 Coopers Lane)
Charlottesville, VA 22902)

Plaintiffs,)

v.)

FARM CREDIT OF THE VIRGINIAS, ACA)
106 Sangers Lane)
Staunton, Virginia 24401)

GRAND CRU PROPERTIES, LLC)
c/o Lisa A. Hawkins, Registered Agent)
90 N. Main Street, Ste 201)
Harrisonburg, VA 22802)

AGFIRST FARM CREDIT BANK)
1401 Hampton Street)
Columbia, SC 29201-3317)

MIDATLANTIC FARM CREDIT, ACA)
45 Aileron Ct)
Westminster, MD 21157)

NORTHWEST FARM CREDIT)
SERVICES, ACA)
1515 S Technology Blvd, Suite B)
Spokane, WA 99224)

and)

Case No. 3:11-cv-00028

AMENDED COMPLAINT

JURY TRIAL REQUESTED

PUERTO RICO FARM CREDIT, ACA)
213 Domenech Ave.)
Hato Rey, PR 00918)
))
Defendants.)
))

)

Plaintiffs Kluge Estate Winery and Vineyard, LLC (“KEW”), Patricia M. Kluge, and William J. Moses, by counsel, bring this action for damages against Defendant Farm Credit of the Virginias, ACA (“Farm Credit”), Grand Cru Properties, LLC (“Grand Cru”), AgFirst Farm Credit Bank (“FC AgFirst”), MidAtlantic Farm Credit, ACA (“FC MidAtlantic”), Northwest Farm Credit Services, ACA (“FC Northwest”), and Puerto Rico Farm Credit, ACA (“FC Puerto Rico”), and for their Amended Complaint state as follows:

SUMMARY OF ACTION

1. This case is about flawed and wrongful conduct by an agricultural lender (Farm Credit), and others acting in concert with it, which damaged KEW, a Virginia business, and its principals and guarantors, Mr. Moses and Ms. Kluge. The actors are Farm Credit and its subsidiary or affiliate Grand Cru, the lenders participating in the loan (FC AgFirst, FC MidAtlantic, FC Northwest, and FC Puerto Rico and, collectively with Farm Credit, “Lender Defendants” and, together with Grand Cru, “Defendants”) and nonparty the United States Farm Credit Administration (“FCA”). FCA is the federal agency charged with guiding Defendants in advancing the interests of rural business borrowers. At the urging of FCA and Lender Defendants, Farm Credit breached its loan agreement with KEW and violated FCA’s enabling statute, the clear pronouncements of the Fourth Circuit on the rights that law affords borrowers like KEW, and even FCA’s applicable regulation. The result was the loss of KEW’s business, formerly a flagship for the Virginia wine industry.

2. Through its complaint filed on April 5, 2011, KEW sought injunctive relief to forestall the immediate and irreparable harm of an auction on April 7, 2011 of its land and associated improvements (the "Property"). Now that the auction has taken place and the Property has been sold, Plaintiffs seek damages against Defendants relating to their pre- and post-foreclosure wrongful conduct which harms all Plaintiffs. Plaintiffs respectfully request that this Court award compensatory damages, including treble damages, and all other forms of damages relief available to Plaintiffs, and thereby to mitigate the harm Defendants have caused Plaintiffs and to protect other similarly situated rural business borrowers from future violations of their borrowers' rights.

3. First, during Fall 2010, Lender Defendants breached the loan agreements and frustrated KEW's prospective economic advantage by impeding KEW as it sought third party investors in an effort to save its business. Lender Defendants acted wrongfully by initially refusing to respond to, and then ultimately failing to consider, a third party transaction that offered them value *at or above the market value of the business*. KEW and its principals and guarantors, Mr. Moses and Ms. Kluge, were pursuing their dream of creating a world class vineyard and winery here in Albemarle County, Virginia. Lender Defendants caused the loss of that business and ultimately failed to reap the benefits of opportunities Plaintiffs presented when Farm Credit relied irrationally on a patently flawed appraisal. The appraisal, by a California appraiser, exaggerated the estimated value of the business based on inapt comparisons of Virginia farm land and established California wineries. Of course, even the appraiser cautioned that the (obviously inflated) estimate of value could only be realized if KEW was a fully operating and intact business. Farm Credit ended any hope for Plaintiffs to save the business by dismantling key aspects of the business upon Farm Credit's assumption of effective control in

September 2010 and by unreasonably demanding the third party pay a sizeable *premium* over and above the inflated appraisal. By October 2010, Farm Credit initiated an ill-considered and ultimately pointless foreclosure. As it turned out, when *no bidders* appeared at the foreclosure in December 2010 to bid on the diminished business's assets, Farm Credit took ownership of the Property through Defendant Grand Cru.

4. Second, Defendants continued to dismantle the business until Farm Credit and Grand Cru disposed of the foreclosed Property at the so-called "absolute" auction on April 7, 2011. Defendants followed a pre-planned process which ignored borrower KEW's federal and contractual *right to elect to repurchase it at current fair market appraised value* and frustrated KEW's *right to match the high bid at the auction*. KEW was entitled under the federal Farm Credit Act of 1971, as amended (the "Act"), as interpreted and applied by the controlling precedent of this federal circuit,¹ to a thirty-day window, prior to any sale, to a "right of first refusal" to consider repurchasing the Property. To position a farm borrower, like KEW, to assess the viability and desirability of its repurchase right at a time following foreclosure and after the operating business, as here, was substantially diminished in value, the Act requires Farm Credit to provide KEW with an up to date, valid appraisal of the Property. Until listening to the surprise testimony that Farm Credit elicited from its lead manager on this loan about a secret appraisal conducted after the December 2010 foreclosure but that was revealed only at the emergency hearing in this case held *the day prior to the auction*, KEW had been led by Farm Credit to believe that Farm Credit had not obtained a current appraisal of the Property. Further, it was no fluke that Farm Credit failed to reveal the second appraisal sooner. The same Farm Credit representative testified that Farm Credit planned *prior to initiating the foreclosure process*

¹ *Payne v. Fed. Land Bank of Columbia*, 916 F.2d 179 (4th Cir. 1990).

in October 2010—roughly six months before the April 7, 2011 auction—to refuse to honor KEW’s federal and contractual rights to pursue a repurchase.

5. Third, Plaintiffs and the public were entitled to a notice of auction disclosing KEW’s right to repurchase the Property by matching the high bid at the conclusion of the auction. Even Farm Credit concedes this right in the Notice of Sale.² But the auction advertisement called the sale an “absolute auction” when it was not “absolute” under Virginia black letter law due to KEW’s “bid matching right.” Farm Credit’s notice was therefore false and misleading. Though Farm Credit’s auctioneer testified at the emergency hearing before this Court on April 6, 2011 that this defect had been cured by posting the correct information on the website notice of the auction, on information and belief, this testimony was inaccurate.

6. Fourth, to effectuate KEW’s rights to buy back the Property, KEW was entitled to have the Property offered for sale configured as it was when Farm Credit foreclosed, *i.e.*, as a single parcel. Instead, Farm Credit divided the Property into five separate tracts for sale and implemented highly complex and convoluted bidding procedures. On information and belief, the purpose of this scheme was to generate a series of bids from multiple bidders that, by the qualifying conditions and potential total consideration, would inherently impede KEW’s statutory repurchase rights by making it all but impossible to exercise its rights or even to qualify to bid and to match each and every high bid for all five parcels of its former Property. In fact, these bidding procedures proved to be a deterrent to KEW from retaking ownership of the

² “The Farm Credit Act of 1971, as amended, provides that if Kluge Estate Winery and Vineyard, LLC is present, and properly registered in advance of the commencement of the auction, then Kluge Estate Winery and Vineyard, may match an acceptable bid, and if it does, then Grand Cru Properties, LLC [the entity that Farm Credit formed to hold the Property after foreclosure] shall accept Kluge Estate Winery and Vineyard, LLC’s bid.” Exhibit A, Part 1 at p. 2.

Property, as was a requirement—found nowhere in the Act but nonetheless imposed on KEW—to make a \$250,000 deposit before exercising its right to match the high bid.

7. By violating the Act, Farm Credit also violated its contractual obligations to Plaintiffs, as the requirements of the Act are incorporated into the governing loan agreements between Plaintiffs and Farm Credit. Further, given the participation, on information and belief, of the other Farm Credit institutions in these actions, all Defendants bear equal responsibility for the harm to Plaintiffs.

8. FCA's role here is of particular note.³ Even though the Fourth Circuit Court of Appeals held the federal agency's position (that no right of first refusal is necessary if the foreclosed property is later sold at public auction) to be unreasonable, and FCA changed its regulations years ago to reflect *Payne's* ruling and the Act's requirement that the borrower's right of first refusal must be afforded even in an auction setting, FCA has continued to encourage Farm Credit institutions to notice auctions without honoring the Borrower's Rights provisions in the Act. Further, upon information and belief, FCA knows that Farm Credit promised to follow the requirements of the Act with respect to Plaintiffs (and no doubt numerous others by what appears to be a form contract in pertinent part). Nonetheless, upon information and belief, FCA encouraged Farm Credit to violate the Act and the contract because the agency wants to change the law and use this dispute as an opportunity to seek to overturn *Payne*.

9. The circumstances leading up to the foreclosure and then to the auction reveal a course of concerted and intentional conduct by all Defendants which frustrated KEW's rights, and disadvantaged KEW and its guarantors and the public at large.

³ Plaintiffs are not naming FCA as a defendant in this action at this time.

JURISDICTION AND VENUE

10. Plaintiffs seek damages against Defendants for violations of the Borrower's Rights provisions of the Farm Credit Act of 1971, as amended, 12 U.S.C. § 2219a. Plaintiffs also seek damages against Defendants for breach of contract, negligence, tortious interference with business expectancy, common law conspiracy, and violation of Virginia Code Ann. §§ 18.2-499 to 500 and Virginia Code Ann. § 54.1-607. Accordingly, this Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 1331 and 1367.

11. Venue is proper in this district pursuant to 28 U.S.C. § 1391, as the Property and a substantial part of the events giving rise to the claims occurred in this district.

PARTIES

12. Plaintiff KEW is a Virginia limited liability company with its principal place of business located in Charlottesville, Virginia.

13. Plaintiff Patricia M. Kluge is the Owner and Chairwoman of KEW and is a guarantor of certain obligations of KEW.

14. Plaintiff William J. Moses is the Chief Executive Officer of KEW and is a guarantor of certain obligations of KEW.

15. Defendant Farm Credit is a member-owned cooperative association providing credit and lending services to borrowers in the Commonwealth of Virginia and elsewhere. Its principal place of business is in Virginia.

16. Defendant Grand Cru is a Virginia limited liability company with its principal place of business in Virginia. Upon Farm Credit's foreclosure of the Property on December 8, 2010, Farm Credit vested title of the Property with Grand Cru, which in turn was the seller of the Property at the April 7, 2011 auction. Upon information and belief, Grand Cru, by virtue of its

status as a wholly-owned subsidiary of Farm Credit, is an entity governed by the Farm Credit system and owes the same duties to Plaintiffs as Defendant Farm Credit.

17. Defendant FC AgFirst is a member-owned cooperative association providing credit and lending services to borrowers in the Farm Credit system, with a principal place of business in South Carolina. Upon information and belief, Defendant FC Agfirst has a participation stake of approximately 27% in the Loan Agreements.

18. Defendant FC MidAtlantic is a member-owned cooperative association providing credit and lending services to borrowers in the Farm Credit system, with a principal place of business in Maryland. Upon information and belief, Defendant FC MidAtlantic has a 20% participation stake in the Loan Agreements.

19. Defendant FC Northwest is a member-owned cooperative association providing credit and lending services to borrowers in the Farm Credit system, with a principal place of business in Washington. Upon information and belief, Defendant FC Northwest has a participation stake of approximately 20% in the Loan Agreements.

20. Defendant FC Puerto Rico is a member-owned cooperative association providing credit and lending services to borrowers in the Farm Credit system, with a principal place of business in Puerto Rico. Upon information and belief, Defendant FC Puerto Rico has a participation stake of approximately 3% in the Loan Agreements.

STATEMENT OF FACTS

Background

21. For over ten years prior to December 2010, the Property was owned by KEW. With 224 acres under vine, and an additional 680 acres reserved for future production, the KEW winery was the largest in Albemarle County.

22. Recognizing the importance of pairing with a lender that supposedly understands the unique demands facing agricultural operations, KEW turned to the Farm Credit System. Established by Congress and regulated by FCA, the Farm Credit System is a federal program designed to ensure that qualified borrowers have access to funds for agricultural and farm-related purposes. The Farm Credit System is administered by member-owned cooperative banks and associations that provide direct lending to borrowers. In Albemarle County, there is one institution participating in the program—Defendant Farm Credit of the Virginias, ACA.

The Loan Agreements

23. KEW approached Farm Credit with a request for financing in 2007 and, based in part on the then-appraised value of its land and operations, received approval for funds. On April 27, 2007, Farm Credit agreed to provide a loan to KEW, under which all of its assets, including land, buildings, equipment, fixtures, and inventory, were held as collateral in a Deed of Trust established for the sole benefit of Farm Credit. Additionally, Farm Credit required Ms. Kluge and Mr. Moses (“Guarantors”) to sign personal guaranties of any outstanding debt.

24. Over the following months and years, Farm Credit and KEW agreed to a series of modifications and amendments to the original Loan Agreements. Upon information and belief, these modifications and amendments were subject to approval by each of the Lender Defendants. At each step, Farm Credit required Guarantors to affirm their original personal guaranties and/or execute additional personal guaranties.

25. In order to allow KEW to obtain additional investment capital from outside investors, on May 6, 2009, Farm Credit and KEW executed a Loan Restructure Agreement in which Farm Credit agreed to refrain from exercising its rights with respect to certain defaults under the Loan Agreements (“Cooperation Period”). The Cooperation Period was extended

through September 30, 2010 to allow KEW to enter into a “Strategic Transaction” (as defined in the Loan Restructure Agreement) with an outside investor, should such a transaction be forthcoming. A purpose of entering into such a transaction would have been the preservation of KEW’s business.

26. In connection with the Loan Restructure Agreement and its amendments, Farm Credit required Plaintiffs to waive rights with respect to assertion of any claims “existing or occurring as of or prior to the execution” of the amendments. These waivers did not release and, instead, preserved all rights for claims arising after the execution of the last amendment, which was dated September 13, 2010. The claims asserted herein pertain to events occurring, and claims accruing, after September 13, 2010 and so are not affected by the waivers.

27. KEW received commitments and expressions of interest for investment from potential investors during Fall 2010. Consummation of any of these potential transactions would have allowed it to enter into a transaction with Farm Credit by which KEW could have secured a release of its obligations, as well as Guarantors’ obligations, to Farm Credit.

28. KEW presented offers, and raised potential offers, to Farm Credit during Fall 2010 but none were accepted. Further, despite requests from KEW, Farm Credit refused to engage in discussions with multiple potential investors. Farm Credit’s actions impeded KEW’s efforts to meet the conditions of a Strategic Transaction and frustrated KEW’s ability even after the passage of the Cooperation Period to enter into a transaction to save its Property.

Pre-Foreclosure Appraisal and Offers

29. Farm Credit rejected all offers that KEW presented, purportedly relying upon a \$22.6 million appraisal of KEW’s real estate conducted by a California firm in 2009 (“First Appraisal”). Farm Credit’s actions were wrongful.

30. The First Appraisal was flawed and patently inflated for at least several reasons. First, on its face, the appraisal was stale, and did not reflect current market values or account for the diminished value of Virginia wineries in the prior year. The appraisal estimated the Property's value as of July 24, 2009, well over a year prior to the Fall 2010 efforts to obtain agreement on a Strategic Transaction that are at issue here. Second, the appraisal was based on an invalid market comparison—it valued KEW's property based on the market value of wineries located in Napa Valley, California, purportedly on the flawed premise that real estate in Albemarle County, Virginia is comparable in value to real estate in Northern California. Third, the appraisal was based on a condition that Farm Credit, by its own actions in conjunction with the other Lender Defendants, made impossible to satisfy: the appraisal valued KEW property as a going concern.

31. In light of these and other deficiencies, the First Appraisal was a manifestly and unreasonable basis upon which to rely in any negotiation. Yet, Farm Credit cited the appraisal in denying KEW the opportunity to purchase the Property at its actual fair market value.

32. Notably, while Farm Credit was citing the First Appraisal as a fair estimate of the actual fair market value of the Property, its value as assessed by local taxing authorities was a mere \$11 million, less than half of the value ascribed to the Property by the First Appraisal.

33. Even so, KEW continued efforts to reach agreement with Farm Credit.

34. After continuing efforts, KEW presented Farm Credit with multiple potential offers. KEW presented an offer to acquire the Property and release Guarantors for a combined cash payment of approximately \$15 million (\$10 million from a third party investor for the Property plus another roughly \$5 million in value from Guarantors that would be turned over without contest). When Farm Credit rejected this proposal, KEW presented offers from a third

party and Guarantors to be financed over time, either by Farm Credit or by third party lenders, with total values ranging from approximately \$20 million to \$25 million. These financed offers approximated or exceeded the value of the Property as estimated in the First Appraisal. In each instance, the third party investor was well known to Farm Credit and was ready, willing and able to consummate a deal on the terms outlined in the offers. (Indeed, the offeror was so serious about buying the Property that he later participated in the April 2011 auction and acquired the Property at a fraction of what he was offering to pay for it in Fall 2010.)

35. Farm Credit initially refused to engage in negotiations over these offers and ultimately rejected all of them, even though they compared favorably with the First Appraisal (and, as time would tell, each of these offers was dramatically better than what the April 1, 2011 auction produced). In doing so, Farm Credit knew that Plaintiffs' offer was based on a reasonable business expectancy created through negotiations and agreements with the investor undertaken for the purpose of continuing KEW's business prospects and the business reputation of Plaintiffs.

36. Moreover, Farm Credit's actions in not considering and then eventually rejecting the offers was troubling not just because they were irrational; this conduct was a breach of specific promises made to, and relied upon by, Plaintiffs as they continued their efforts to salvage KEW's business.

37. Specifically, Farm Credit had no right to install their representative as a "Chief Restructuring Officer" ("CRO") under the Loan Restructure Agreement until after the Cooperation Period had ended following the absence of a Strategic Transaction by September 30, 2010. Yet, Farm Credit and KEW agreed to allow the CRO to start early. This consent to allow the appointment during September 2010 before the Cooperation Period had ended was

accompanied with the understandings that (i) Farm Credit would consider in good faith any offers presented by KEW even after the Cooperation Period and (ii) Farm Credit would proceed in a slow, deliberate fashion in any winding down of the business that would retain its core features as an ongoing enterprise so as to enhance KEW's ability to continue to seek third party investors.

38. Farm Credit did not consider offers in good faith once its CRO was installed. After Plaintiffs made numerous requests for Farm Credit to set forth the parameters of a transaction it would find acceptable, Farm Credit finally responded. Unfortunately, Farm Credit merely compounded the wrongfulness of its prior conduct by insisting upon a \$6 million *premium above the artificial level of the appraisal*. Farm Credit knew or should have known it had no reasonable basis for its demand.

39. Farm Credit also broke its promises about the expected pace of the CRO's activities in the initial weeks after his appointment. During this period after installing their CRO, Farm Credit diminished the value of the business by promptly terminating key employees and contracts, and by other immediate and damaging actions that diminished the value of the business and made it more difficult for KEW to identify and consummate a transaction with a third party investor.

40. On October 28, 2010, Farm Credit issued a Formal Notice of Foreclosure announcing its intention to conduct a foreclosure of the KEW property on December 8, 2010.

The Foreclosure

41. At proceedings held on December 8, 2010 in Albemarle County, Virginia, Farm Credit foreclosed on the Property, and transferred it to its own Grand Cru Properties, LLC. Farm Credit/Grand Cru acquired the KEW property at the foreclosure at a bid-in price of \$19 million.

42. This decision to buy in the Property was no spur of the moment decision. As its own witness testified at the expedited hearing on April 6, 2011, Farm Credit had decided months before the foreclosure took place that it would acquire the Property and sell it at an auction in early Spring 2011 if there were no higher bids at the foreclosure.

Denial of Borrower's Rights Post-Foreclosure

43. On January 31, 2011, unknown to Plaintiffs, Farm Credit obtained a "Second Appraisal" of the Property. This Second Appraisal—conducted by the same appraiser and, on information and belief, using the same faulty appraisal criteria underlying the original, flawed First Appraisal—valued the Property at \$17.9 million. Farm Credit withheld this appraisal from KEW and did not even acknowledge its existence. Instead, during this time period, Farm Credit misled Plaintiffs into continuing reasonably to believe that the First Appraisal had not been updated and no other appraisal had been obtained. Farm Credit indicated on or about the date of the Foreclosure that it had not obtained a current appraisal and had no plans to do so. Farm Credit never corrected this representation even though it was, or became, false.

44. On March 30, 2011, Farm Credit issued a Notice of Sale to KEW, which notified KEW of Farm Credit's intention to sell the Property, divided into five separate tracts, at a public auction held by its agent J.P. King Auction Company, Inc., on Thursday, April 7, 2011. (See Exhibit A).

45. On April 5, 2011, KEW filed an Emergency Motion for a Temporary Restraining Order and Preliminary Injunction (Dkt. 4), raising the issue of Farm Credit's post-foreclosure conduct and asking this Court to enjoin the auction from proceeding because Farm Credit had not afforded KEW its Borrower's Rights of notice and first refusal under § 2219a. An expedited hearing on the preliminary injunction was held on April 6, 2011, at which Defendant Farm

Credit called four witnesses and entered an auction brochure into evidence. The Court declined to grant the preliminary injunction at the expedited hearing. In a written opinion issued on April 13, 2011 explaining the basis for its decision, this court reserved its views on the merits of any claims for damages. (Dkt. 14).

46. On April 7, 2011, Farm Credit/Grand Cru sold the Property at auction. Two parcels consisting of 778 acres sold for \$6,216,250, and the remaining three parcels consisting of 121 acres sold for \$1,120,000. The total value received at auction was \$7,336,250—so far below the \$17.9 million secret “appraisal” that Farm Credit had been hiding for several months before the auction that Farm Credit and its agents were visibly shaken at the auction. The results of the auction show that the secret Second Appraisal (like the First Appraisal) was inflated and an unreasonable basis for Farm Credit to have precluded KEW’s statutory and contractual right to pursue a repurchase of the Property following the December 2010 foreclosure.

Motion to Dismiss and Response

47. Following the auction, on April 26, 2011, Farm Credit filed a motion to dismiss KEW’s complaint, arguing that borrowers have no private right of action under the Act and that the complaint should be dismissed for want of jurisdiction and for failure to state a claim (Dkts. 15-16).

48. As set forth in KEW’s May 13, 2011 response in opposition to the motion to dismiss (Dkt. 21), Farm Credit’s reasoning is flawed given that binding legal authority supports finding a private right of action under the Act. Moreover, this Amended Complaint asserts new claims regarding Defendants’ conduct, including a breach of contract claim tied directly to and arising from federal law, that exists independently of whether the Act creates a private right of action.

Borrower's Rights Under the Farm Credit Act

49. The Act mandates that agricultural real estate acquired by a Farm Credit System institution through a loan foreclosure on a borrower (the "previous owner") shall be subject to the right of first refusal of the previous owner to repurchase the property under the terms specified in the Act. 12 U.S.C. § 2219a(a).

50. In particular, the Act establishes that KEW, as borrower under the Farm Credit System and previous owner of the Property, has the following rights ("Borrower's Rights"):

- (a) Within 15 days after Farm Credit first elected to sell the Property, Farm Credit was required to notify KEW by certified mail of its right "to purchase the property at the appraised fair market value of the property, as established by an accredited appraiser; or to offer to purchase the property at a price less than the appraised value." 12 U.S.C. § 2219a(b)(1).
- (b) Farm Credit was required to give KEW 30 days after receiving the notice of sale to "submit an offer to purchase the property," and is required upon receiving an offer from KEW to purchase the property at the appraised value, within 15 days after the receipt of such offer, to accept such offer and sell the property to KEW. 12 U.S.C. § 2219a(b)(2).
- (c) If Farm Credit wants to sell the Property through a public auction, the notice of sale provided to KEW must contain "the minimum amount, if any, required to qualify a bid as acceptable to the institution and any terms and conditions to which such sale or lease will be subject." 12 U.S.C. § 2219a(d)(1).
- (d) At any auction, Farm Credit must "accept the offer by the previous owner" so long as it is qualified and is equivalent to the otherwise highest bid of any other qualified bidder. 12 U.S.C. § 2219a(d)(2).

Borrower's Rights Under the Loan Agreement

51. In its original Loan Agreement with KEW, Farm Credit represented that KEW would benefit from the Borrower's Rights established in the Farm Credit Act of 1971, as

amended, including the right to purchase the property at appraised market value and providing KEW with proper notice of its right of first refusal at the public auction.

52. Section 10.7(a) of the original Loan Agreement executed by Farm Credit and KEW provides that “[t]his Agreement and each of the other Loan Documents shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia and the federal laws of the United States of America, including the Farm Credit Act of 1971, as amended.” (Exhibit B at § 10.7(a)).

53. In a subsequent Loan Restructuring Agreement executed by Farm Credit and KEW, Farm Credit reaffirmed its obligation to perform its obligations in accordance with § 10.7(a): “[T]he release of claims contained in this Section 14 shall not operate to release lender from any of its executory obligations under this agreement or the other loan documents.” (Exhibit C at § 14.4).

The Notice of Sale was Deficient

54. The Notice of Sale was deficient in at least the following respects:

- (a) It failed to notify KEW of the appraised fair market value of the property, as established by an accredited appraiser;
- (b) It failed to notify KEW of the right to purchase the Property at the appraised value or the right to offer to purchase the Property below the appraised fair market value;
- (c) It failed to provide KEW the right to submit an offer to purchase the Property within 30 days;
- (d) It failed to notify KEW of the minimum amount, if any, required to qualify a bid as acceptable to the Bank.

55. The appraisals ultimately provided by Farm Credit, in addition to being untimely, were deficient and failed to meet the requirements of the Act, because of the substantive flaws in

the appraisal process and because the appraisals drastically inflated the value of the Property over and above the fair market value as evidenced by the sale price at auction.

56. In addition, the Notice of Sale and bidding procedures were deficient and at odds with the Act due to Farm Credit's scheme to auction the Property in five separate tracts. The bidding procedures for the five parcels further prejudiced KEW's ability to exercise its statutory rights of repurchase. While the Terms of Auction stated that "the Property is scheduled to be sold to the highest bidder," the bidding procedures provided that a high bid may apply to a "whole or fraction of the Property." Further, a sale of any fraction of the Property was not contingent upon the sale of any other portion, "whether purchased by the same Buyer or not." Thus, KEW's right to bid matching was limited by the possibility of conflicting high bids on different fractions of the Property.

57. Farm Credit's deliberate failure to fulfill its statutory obligations denied KEW the opportunity to participate in a process that otherwise would have allowed KEW to (1) examine the purported appraisals conducted by Farm Credit and to conduct its own fair market appraisal of the property; (2) secure financing from potential investors to purchase the property at fair market value prior to auction; (3) make an offer to purchase the property from Farm Credit at fair market value; and (4) purchase the property at auction.

58. Farm Credit's denial of KEW's Borrower's Rights proximately caused substantial injury to KEW, including substantial loss to the value of the property and substantial loss of future profits as a going concern.

The Auction Advertisement was Deficient

59. The auction advertisement issued by Farm Credit through its agent J. P. King Auction Co., Inc. (and included as part of the Notice of Sale) advertised that the April 7 auction

would be an “absolute auction,” without mentioning that KEW as previous owner had a right of first refusal or that KEW had an opportunity to match the highest bid received at auction.

60. Failure to advertise KEW’s right of first refusal or matching bid rights introduced the likelihood that the bidding amounts at the auction would be improperly influenced to the detriment of KEW and the general public.

FCA Interfered in Plaintiffs’ Rights Under the Loan Agreement

61. In its original Loan Agreement with KEW, Farm Credit represented that KEW would benefit from the Borrower’s Rights established in the Act, including the right to purchase the Property at appraised market value and providing KEW with proper notice of its right of first refusal at the public auction under § 2219a(a) and (b).

62. In 1988, FCA issued a regulation (codified at 12 C.F.R. § 614.4522 (1989)), stating that § 2219a of the Act does not require an institution to follow the requirements of § 2219a(b) in the event that an institution elects to proceed with sale by auction.

63. In 1990, the Fourth Circuit Court of Appeals, in *Payne v. Fed. Land Bank of Columbia*, 916 F.2d 179 (4th Cir. 1990), held that FCA’s interpretation of the Borrower’s Rights provisions in the Act was “not reasonable.”

64. In 2004, FCA issued a regulation (codified at 12 C.F.R. §§ 617.7610-7620 (2005)), removing the regulation criticized in *Payne* and replacing it with a regulation tracking the language of the Act and thereby requiring its regulated lending institutions to provide the Borrower’s Rights described hereinabove in connection with any post foreclosure sale, even by an auction process.

65. Even though the Fourth Circuit held that FCA’s interpretation of § 2219a in the 1988 regulation was “not reasonable” and FCA changed its regulation, FCA has continued to assert publicly and to Farm Credit institutions that its original interpretation should be followed.

66. In this manner, FCA's current position is in conflict with its own regulation.

67. On a portion of FCA's website providing guidance on "Borrower Rights" under the Act, FCA states:

Does a notice of right of first refusal have to be sent if a System institution decides to sell acquired property through a public auction? No, but institutions have to give the previous owner(s) notice of the public auction before, or at the same time as, public notice of the auction is made. The notice has to contain all relevant information, such as the time, place, and opening bid for the auction, to enable the previous owner(s) to decide if he or she wants to participate in the auction. The goal of the right of first refusal is achieved if the previous owner(s) puts in a bid for the property. The institution must accept the previous owner's bid when it is the highest bid or it ties with the highest bid. See <http://www.fca.gov/about/BorrowerRightsFAQs.html> (visited April 5, 2011 and April 28, 2011).

68. FCA has thus communicated to the public and to Farm Credit institutions, contrary to the non-discretionary Borrower's Rights requirements of the Act as interpreted under the binding law of this Circuit, that Farm Credit institutions do not need to provide a right of first refusal to borrowers.

69. FCA has caused Farm Credit institutions to act in a manner that is contrary to the Act and its own regulations, as well as contrary to contractual loan obligations which incorporate terms of the Act in order to undermine the Fourth Circuit's decision in *Payne*.

70. FCA has instructed and/or encouraged Defendant Farm Credit to act in a manner that is contrary to the law and contrary to Farm Credit's obligations under the Loan Agreements.

71. Upon information and belief, FCA has colluded and conspired with Defendant Farm Credit to ensure that Farm Credit did not provide the notice of right of first refusal to KEW, as required under Borrower's Rights provisions of the Act, in part, to challenge the Fourth Circuit's decision in *Payne*.

72. FCA deliberately interfered with the contractual rights of KEW in order to further its agenda of asserting its own position on Borrower's Rights, as stated on the agency's website, which is in direct contravention to the law of this Circuit and to the Act and to FCA's own regulations.

73. Upon information and belief, the Loan Agreements were not unique in incorporating the Act, and numerous other borrowers likely have such contractual rights.⁴

FIRST CAUSE OF ACTION

Violation of the Farm Credit Act by All Defendants

74. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

75. Defendants have violated 12 U.S.C. § 2219a by issuing, or causing the issuance of, a Notice of Sale to KEW that did not comply with the appraisal, notice, and right of first refusal provisions of § 2219a, as interpreted under the controlling law of this Circuit.

76. The auction of the Property conducted and/or authorized by the Lender Defendants and Grand Cru in violation of the requirements of the Act deprived KEW of the right to purchase the property at a properly appraised value; deprived KEW of the 30 day time period to submit an offer of purchase; deprived KEW of the opportunity to be notified of the minimum amount, if any, required to qualify a bid at the auction; and deprived KEW of the opportunity to purchase the property as a single tract.

⁴ Plaintiffs reserve the right to amend this Amended Complaint following discovery or otherwise to assert this action as a class action lawsuit on behalf of all borrowers who have such Borrower's Rights incorporated into their loan agreements, and who have been the victims, like Plaintiffs here, of an apparent effort by FCA, acting in concert with Farm Credit, the other Lender Defendants, and other Farm Credit institutions, to frustrate those rights by advancing the false proposition that no Farm Credit institution need provide Borrower's Rights under § 2219a(b) in the event of a sale by auction, notwithstanding the clear language of the Act, the regulation, and *Payne*.

77. The denial of KEW's Borrower's Rights by Defendants proximately caused substantial injury to KEW, including substantial loss to the value of the Property and substantial loss of future profits as a going concern.

78. In light of the violations of the requirements of 12 U.S.C. § 2219a, Plaintiffs have been damaged and continue to suffer damages in an amount to be determined at trial.

SECOND CAUSE OF ACTION

*Violation of the Farm Credit Act and Va. Code Ann. § 54.1-607
by All Defendants*

79. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

80. Under Va. Code Ann. § 54.1-607, advertisements for a property auction must be truthful and not misleading.

81. The Farm Credit Act of 1971 requires that if a System institution elects to sell an acquired property at auction, the previous owner shall have a right of first refusal and a right to match the highest qualified bid at the auction.

82. As set forth herein, Defendants, through Farm Credit and their agent J.P. King Auction Co., Inc., advertised the April 7 auction in a manner that was false and misleading, stating that the auction would be an absolute auction without mentioning KEW's right of first refusal or right to match the high bid and thereby repurchase its Property *without being the highest bidder*. Further, Defendants insisted upon KEW placing a deposit of \$250,000 to be allowed to bid, notwithstanding that this condition to exercising its rights at the auction is nowhere found in the Act.

83. Proceeding with the auction as advertised and imposing a bidding condition on KEW that is not required under the Act deprived KEW of the opportunity to consider making an

offer of purchase to avoid the auction, as provided by the Act under the controlling precedent of this federal circuit and/or as admitted by Defendants.

84. As a direct and proximate result of the violations of the plain language requirements of 12 U.S.C. § 2219a and Va. Code 54.1-607, Plaintiffs have been damaged and continue to suffer damages in an amount to be determined at trial.

THIRD CAUSE OF ACTION
Breach of Contract by Farm Credit and Grand Cru

85. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

86. On information and belief, Grand Cru is an assignee and/or successor of Farm Credit with respect to certain rights and obligations under the Loan Agreement and Loan Restructure Agreement.

87. Implied in the Loan Agreement and Loan Restructure Agreement governing the relationship between Farm Credit (and Grand Cru by virtue of its relationship with Farm Credit) and Plaintiffs is the covenant of good faith and fair dealing. This covenant obligates Farm Credit and Grand Cru to act in good faith, to use their best efforts to deal fairly with KEW, and to do nothing that will impede Plaintiffs from realizing the benefits of the agreements. Consequently, though Farm Credit and Grand Cru were empowered to exercise discretion in certain matters, at all times they were obligated to exercise that discretion in good faith.

88. As set forth in more detail above, Farm Credit and Grand Cru breached the covenant of good faith, in part, by relying upon a patently flawed appraisal and then compounding this irrationality by insisting upon a premium above this inflated value as a basis for rejecting transactions that would have enabled KEW to continue operating, thus, triggering Guarantors' obligations and causing foreclosure of the Property.

89. By their own conduct, as described above, and through the conduct of their agents, Farm Credit and Grand Cru have breached the covenant of good faith and fair dealing and have wrongfully deprived, injured and/or destroyed the rights of Plaintiffs to receive the value, benefit and fruits of the Loan Agreement and Loan Restructure Agreement.

90. Farm Credit and Grand Cru further violated the Loan Agreement and Loan Restructure Agreement by not complying with the appraisal, notice, and right of first refusal provisions of § 2219a of the Farm Credit Act, incorporated into the Loan Agreement and Loan Restructure Agreement upon foreclosure on the Property.

91. The auction of the Property conducted by Farm Credit and Grand Cru in violation of contractual obligations deprived KEW of the right to purchase the property at a properly appraised value; deprived KEW of the 30 day time period to submit an offer to purchase the property; deprived KEW of the opportunity to be notified of the minimum amount, if any, required to qualify a bid at the auction; and deprived KEW of the opportunity to purchase the property as a single tract.

92. The breach of the covenant of good faith and fair dealing by Farm Credit and Grand Cru proximately caused substantial injury to KEW, including substantial loss to the value of the Property and substantial loss of future profits as a going concern, in an amount to be determined at trial.

93. The material breach of the terms of the Loan Agreement and Loan Restructure Agreement, including KEW's Borrower's Rights under the Act incorporated into the agreements, by Farm Credit and Grand Cru proximately caused substantial injury to KEW, including substantial loss to the value of the Property and substantial loss of future profits as a going concern, in an amount to be determined at trial.

FOURTH CAUSE OF ACTION
Negligence by Farm Credit and Grand Cru

94. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

95. As a Farm Credit lender, Farm Credit, and Grand Cru by virtue of its relationship with Farm Credit, had a duty to exercise discretion in business dealings with Plaintiffs reasonably and in good faith, both pre-foreclosure and post-foreclosure.

96. At all relevant times, however, Farm Credit and Grand Cru failed to exercise discretionary duties reasonably and in good faith.

97. Prior to the December 2010 foreclosure, Farm Credit breached its duties towards Plaintiffs, in part, by relying upon a patently flawed appraisal as a basis for rejecting transactions that would have enabled KEW to continue operating as a going concern and, instead, demanding that Plaintiffs pay in excess of \$28 million to recover the Property—a price almost four times the fair market value of the Property as indicated when the market spoke at the auction.

98. Farm Credit's negligent reliance on the flawed appraisal and negligence in failing to engage in good faith negotiations with Plaintiffs regarding a transaction to avoid the loss of the Property resulted in foreclosure and triggered Guarantors' obligations.

99. Following the December 2010 foreclosure, Farm Credit and Grand Cru breached their duties towards Plaintiffs by failing to disclose the existence of the Second Appraisal, and by failing to provide Plaintiffs with their statutory Borrower's Rights of notice and first refusal.

100. By their own negligence, Farm Credit and Grand Cru wrongfully deprived, injured and/or destroyed the rights of Plaintiffs to receive the value, benefit and fruits of the Loan Agreement and Loan Restructure Agreement.

101. As a direct and proximate result of the foregoing negligence, the value of the Property as an ongoing concern is now irretrievably lost, causing substantial injury to Plaintiffs including substantial loss to the value of the Property and substantial loss of future profits as a going concern, in an amount to be determined at trial.

FIFTH CAUSE OF ACTION
Violation of Va. Code Ann. §§ 18.2-499 to 500
by All Defendants

102. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

103. Prior to the December 2010 foreclosure, Defendants conspired to have Farm Credit breach its duties towards Plaintiffs, in part, by relying upon the patently flawed First Appraisal as a basis for rejecting transactions that would have enabled KEW to continue operating as a going concern and, instead, demanding that Plaintiffs pay in excess of \$28 million to recover the Property—a price Defendants knew or should have known was far above the fair market value of the Property.

104. Following the foreclosure, Defendants conspired to mislead Plaintiffs into continuing reasonably to believe that the First Appraisal had not been updated and no other appraisal had been made in order to frustrate Plaintiffs' ability to exercise their statutory and contractual Borrower's Rights of notice and first refusal.

105. Defendants conspired against Plaintiffs, in part, as a result of personal animus due to their desire not to remain in a business relationship with Plaintiffs despite their duty to discharge Defendants' statutory and contractual obligations and to honor Plaintiffs' rights.

106. Defendants conspired with FCA against Plaintiffs and refused to afford them their statutory and contractual rights after the foreclosure in order to support and promote FCA's

position on Borrower's Rights on FCA's website FAQ, which is contrary to the decision of the Fourth Circuit in *Payne*, the clear text of the Farm Credit Act of 1971, as amended, and FCA's own regulation. Upon information and belief, Defendants conspired with FCA to manipulate Plaintiffs' situation into an opportunity to challenge the Fourth Circuit's decision in *Payne*, which tracks the language of the Act and FCA's own regulations, for the purpose of seeking to change the law despite their duty to follow the law as it exists unless and until such time as the law might be changed.

107. Such conduct was done in part with the intent and with the expectation to harm Plaintiffs' business and prospects, business reputation, and to deny Plaintiffs the benefit of their Borrower's Rights under the Act and the Loan Agreement and Loan Restructure Agreement.

108. Through the conspiracy described above, Defendants wrongfully deprived, injured and/or destroyed the business prospects and reputation of Plaintiffs to receive the value, benefit and fruits of their property and contractual rights under the Loan Agreement and Loan Restructure Agreement.

109. As a direct and proximate result of the foregoing conspiracy, the value of the Property as an ongoing concern is now irretrievably lost, causing substantial injury to the business reputation and prospects of Plaintiffs, including substantial loss to the value of the Property and substantial loss of future profits as a going concern, in an amount to be determined at trial.

SIXTH CAUSE OF ACTION
Common Law Conspiracy by All Defendants

110. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

111. Prior to the December 2010 foreclosure, Farm Credit Lender Defendants conspired to have Farm Credit breach its duties towards Plaintiffs, in part, by relying upon the patently flawed First Appraisal as a basis for rejecting transactions that would have enabled KEW to continue operating as a going concern and, instead, demanding that Plaintiffs pay in excess of \$28 million to recover the property—a price Defendants knew or should have known was far above the fair market value of the Property.

112. Following the foreclosure, Defendants conspired to mislead Plaintiffs into continuing reasonably to believe that the First Appraisal had not been updated and no other appraisal had been made in order to frustrate Plaintiffs' ability to exercise their statutory and contractual Borrower's Rights of notice and first refusal.

113. Defendants conspired against Plaintiffs, in part, as a result of personal animus.

114. Defendants and FCA conspired against Plaintiffs and refused to afford them their statutory and contractual rights after the foreclosure in order to support and promote FCA's position on Borrower's Rights in its website FAQ, which is contrary to the decision of the Fourth Circuit in *Payne*, the clear text of the Farm Credit Act of 1971, as amended, and FCA's own regulations. Upon information and belief, Defendants conspired with FCA to manipulate Plaintiffs' situation into an opportunity to challenge the Fourth Circuit's decision in *Payne*, which tracks the language of the Act and FCA's own regulations.

115. Such conduct was done in part with the intent and with the expectation to harm Plaintiffs' future business prospects in the Property, business reputation, and to deny Plaintiffs the benefit of their Borrower's Rights under the Act and the Loan Agreement and Loan Restructure Agreement.

116. Through the conspiracy described above, Defendants wrongfully deprived, injured and/or destroyed the business prospects of Plaintiffs to receive the value, benefit and fruits of the Loan Agreement and Loan Restructure Agreement.

117. As a direct and proximate result of the foregoing conspiracy, the value of the Property as an ongoing concern is now irretrievably lost, causing substantial injury to the business reputation and prospects of Plaintiffs, including substantial loss to the value of the Property and substantial loss of future profits as a going concern, in an amount to be determined at trial.

SEVENTH CAUSE OF ACTION
Tortious Interference with Contract and Business Expectancy
by Lender Defendants

118. All of the allegations contained in the above paragraphs are incorporated herein as if those allegations are set forth in this Cause of Action.

119. In Fall 2010, Plaintiffs reached agreement with a third party investor for the presentation of multiple offers to Farm Credit regarding the Property, KEW's business, and Guarantors obligations.

120. Prior to the December 2010 foreclosure, Farm Credit and the other Lender Defendants interfered with the business expectancy of Plaintiffs by relying upon a patently flawed appraisal as a basis for rejecting transactions that would have enabled KEW to continue operating as a going concern and compounded this bad faith by demanding that Plaintiffs pay in excess of \$28 million for the Property—a price well above its fair market value.

121. All Lender Defendants knew that KEW had a reasonable business expectancy created through negotiations and agreements with the third party investor undertaken for the purpose of continuing KEW's business prospects and reputation.

122. The reliance on the patently flawed First Appraisal—and inexplicable insistence on a \$6 million premium in excess of the appraisal—defies business sense and was intended to terminate Plaintiffs’ business expectancy with investors by frustrating those negotiations through unreasonable demands.

123. Lender Defendants wrongfully deprived, injured and/or destroyed the business expectancy of KEW with others and prevented KEW from enjoying the value, benefit and fruits of that expectancy.

124. As a direct and proximate result of the foregoing interference, the value of the Property as an ongoing concern is now irretrievably lost, causing substantial injury to the business reputation and prospects of KEW, including substantial loss to the value of the Property and substantial loss of future profits as a going concern, in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs request that this Court enter judgment against Defendants and grant the following relief in Plaintiffs’ favor:

1. Damages due to Defendants’ violation of federal law, breach of contractual duties, violation of Virginia law, negligence, and conspiracy against Plaintiffs;
2. Damages for conduct evincing a conscious disregard of the rights of Plaintiffs to the full extent provided for by the Virginia Conspiracy Act, Va. Code Ann. §§ 18.2-499 to 500;
3. Attorneys’ costs, fees, and expenses; and
4. Such other and further relief as this Court deems just and equitable.

JURY TRIAL DEMAND

Plaintiffs hereby demand a trial by jury as to any and all claims and matters that may properly be submitted to a jury.

Respectfully submitted,

s/ Edward B. MacMahon, Jr., Esq.
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Kluge Estate Winery and Vineyard, LLC

Dated: May 17, 2011

Exhibit A

Part 1

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March 30, 2011

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BY CERTIFIED MAIL – RETURN RECEIPT REQUESTED AND BY REGULAR MAIL

Re: Formal Notice of Borrower's Rights In Connection With April 7, 2011 Auction Sale

Gentlemen and Ms. Kluge:

The Farm Credit Act of 1971, as amended, provides the previous owner of the real estate acquired by Grand Cru Properties, LLC, Kluge Estate Winery and Vineyard, LLC, a Virginia limited liability company the right to receive notice that the real estate is being sold at public auction.

March 30, 2011

Page 2

This letter is to advise Kluge Estate Winery and Vineyard, LLC that Grand Cru Properties, LLC has elected to sell by public auction all of the real estate previously owned by Kluge Estate Winery and Vineyard, LLC.

The real estate will be offered in five Tracts as more particularly described in the attached materials.

The public auction which will include the above-described property has been scheduled to take place on Thursday, April 7, 2011, commencing at 1 p.m., at the Auction Pavilion, adjacent to the former Kluge Estate Winery and Vineyard Office at 100 Grand Cru Drive, in Albemarle County, south of Charlottesville, Virginia.

Kluge Estate Winery and Vineyard, LLC must be present, identified, and pre-registered in its own name, including the deposit requirement, in order to bid. "Present" means that either an officer or director of Kluge Estate Winery and Vineyard, LLC, or an Attorney In Fact designated as such by signed written instrument, must be physically present and have registered as such in advance of the commencement of bidding.

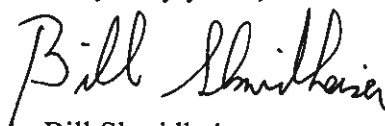
The Farm Credit Act of 1971, as amended, provides that if Kluge Estate Winery and Vineyard, LLC is present, and properly registered in advance of the commencement of the auction, then Kluge Estate Winery and Vineyard, may match an acceptable bid, and if it does, then Grand Cru Properties, LLC shall accept Kluge Estate Winery and Vineyard, LLC's bid. All bids - - - including the bid of Kluge Estate Winery and Vineyard, LLC - - - will be subject to the terms and conditions set forth on the attached materials.

This Borrower's Right is personal to Kluge Estate Winery and Vineyard, LLC, and is not Assignable by it. Should Kluge Estate Winery and Vineyard, LLC exercise its right to match an acceptable bid, Farm Credit will Close on that contract only with Kluge Estate Winery and Vineyard, LLC, the previous owner. Any such bid by Kluge Estate Winery and Vineyard, LLC may not be assigned to a third party.

Should Kluge Estate Winery and Vineyard, LLC purport to exercise its Borrower's Right and then fail to Close within the time specified in the Contract, Grand Cru Properties, LLC may then proceed to close on the same terms with other persons.

If you have any questions about this matter, please feel free to contact me.

Very truly yours,



Bill Shmidheiser

Enclosure
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From J.P. King Website

Selling Absolute! 901+/- acre estate offered in five tracts. Lender Acquired Property

Home to one of the most prestigious wineries along the East Coast, Kluge Estate Winery is located near the birthplace of American and Virginian viticulture, Thomas Jefferson's Monticello. This prestigious locale, surrounded by some of the nation's most exclusive residences, encompasses the beauty of the Virginia countryside with scenic views and majestic, natural landscape.

Kluge Estate Winery is within the Monticello AVA in the central Piedmont area and has excellent natural conditions receiving 211 growing days during season. Planted with ten varieties of grape, the soil quality and orientation of the vines at Kluge Estate have been carefully managed to produce an assortment of world-class still and sparkling wines including Bordeaux, Cabernet Sauvignon, Merlot, Cabernet Franc, and Chardonnay, as well as a trio of food-friendly wines known as the Albemarle brand.

In addition to 164+/- acres currently under vine, there are 60+/- acres of clear land that has ideal slope and elevation for future planting. The vineyards and rolling green hills provide an enchanting backdrop to the picturesque setting of this estate which also offers wooded residential tracts wonderfully suited for residential development, recreational use, or timber.

TRACT BREAKDOWNS:

Tract 1

Spectacular 94+/- acre wooded, residential tract ideal for constructing a country home. The property has access to Carter's Mountain Road can also be dedicated to timber or recreational use.

Tract 2

With frontage on Carter's Mountain Road, this 21+/- acre property can be subdivided into 5 tracts for residential development. The tract is adjacent to the original planted vineyard on tract 3.

Tract 3

Planted in '99-'00, this 131.7+/- acres tract contains the original vineyard as well as the winery production building, 2 2BD/1BA cottages, a barrel cave that can hold approximately 500 barrels, and a modular office. The winery production building is constructed with metal exterior and exposed beam ceilings.

Tract 5

Situated on 6+/- acres, the tract has an exquisite farm shop and tasting room with a full-sized kitchen that is ideal for a variety of uses.

Tract 6

This sprawling 647+/- acre tract has planted vines, event pavilion, large office barn, a carriage museum, and three cottages ideal for staff or guest accommodations. Within this gorgeous property, there are acres of planted vines and 60+/- acres of clear land that has ideal slope and elevation for future planting. Adorned with rolling hills and breathtaking views, this tract is truly amazing.

Sparkling Wine and the Sparkling wine trademark will convey with Tract 6.

Cru and Cru's trademark will also convey with tract 6.

The historic town of Charlottesville is bordered by the Blue Ridge Mountains and Rivana River. A desirable weekend destination of Northern Virginia and the metro DC areas, Charlottesville offers year round recreational opportunities and close proximity to attractions such as Shenandoah National Park, Appalachian Trail and Skyline Drive. Known for Civil War battlefields, Monticello and James Monroe's estate, Ash Lawn, Charlottesville is a charming and scenic locale and home to the University of Virginia.

AUCTION REGISTRATION

Registration begins at 11:30 A.M. (ET). To register to bid at the auction, the following registration fee(s) will be required:

\$250,000.00 Tract #6 or entirety; \$100,000.00 Tract #3; \$10,000.00 Per #1, #2 or #5 (each)

Registration fees must be presented in certified funds only, and must be made payable to the bidder.

SALE SITE

The sale begins at 1:00 P.M. (ET). The Auction will take place on site at the Event Pavilion, located at 100 Grand Cru Drive, Charlottesville, VA 22902.

DIRECTIONS TO PROPERTY

From Charlottesville: Travel south on Monticello Ave (VA-20). Turn left onto Thomas Jefferson Parkway (VA-53) and travel 3.2 miles. Turn right onto James Monroe Parkway (County Rd. 795) and travel 2.6 miles. James Monroe Parkway turns into Carters Mountain Road. Continue for 1.7 miles. Turn right into the property at 100 Grand Cru Drive.

PROPERTY PREVIEW

An auction representative will be available beginning March 24th through April 6th from 10:00 A.M. until 5:00 P.M. daily. Tours of the property will be by appointment only. You may contact the J. P. King auction representative directly at 256.504.3178 during these designated dates to schedule your personal tour.

For your personal Helicopter Tour please call HeloAir to schedule your appointment at 888.359.4356.

BUYER'S PREMIUM

A ten-percent (10%) Buyer's Premium will be added to the winning bid price to arrive at the total contract price paid by the Buyer.

FARM & WINERY EQUIPMENT AUCTION

Please contact Harry Davis Company at www.harrydavis.com or 412.765.1170 for a complete list of inventory including equipment, wine and trademarks.

J. P. KING AUCTION COMPANY, INC.

TERMS OF AUCTION

Kluge Estate Winery
Charlottesville, VA
Thursday, April 7, 2011 1:00 P.M. (ET)

J. P. King Auction Company, Inc. ("King"), an Alabama corporation headquartered at 108 Fountain Avenue in Gadsden, Alabama 35901 (telephone 800-662-5464 or 256-546-5217 and facsimile 256-543-8036) and its Virginia broker, Margaret A. Segrest ("Broker") whose address is 108 Fountain Avenue, Gadsden, AL 35901 (King and its Broker being referred to herein collectively as "Auctioneer") have contracted with Grand Cru Properties, LLC ("Seller") to offer to sell at public auction ("Auction") certain real and personal property ("Property"). These terms, plus any additions, deletions, and/or revisions announced by Auctioneer before the commencement of the Auction, represent the exclusive terms for the Auction ("Terms of Auction").

1. AGENCY: Auctioneer is acting exclusively as an agent for Seller and not as an agent for any Bidder or Buyer. No third-party broker is acting as a sub-agent of Auctioneer.

2. COLLUSION: Bid-rigging is a federal felony punishable by imprisonment and fine. Auctioneer will report all illegal conduct to the F.B.I. and cooperate with any prosecution.

3. COPYRIGHT: The Auction is the exclusive intellectual property of Auctioneer, covered by copyright protection, and may not be recorded, reproduced, or used in any form by anyone other than Auctioneer.

4. PROPERTY: The Property is described in the "Real Property Sale Contract" ("Sale Contract"), a copy of which is available from Auctioneer, online at www.jpking.com, and posted at the Auction.

5. DUE DILIGENCE: Seller and Auctioneer do not attempt to provide Bidder with all of the information Bidder may need to make an informed decision about the Auction and Property. Bidder should obtain professional advice and conduct due diligence on the Property, condition of title (sample title commitment available from Auctioneer and posted at the Auction), surrounding area, and all circumstances, defects, facts, issues, problems, and other relevant matters (collectively "Property Issues"). All information provided by Auctioneer (including "Property Information Package") is believed to be accurate, but neither Seller nor Auctioneer guarantees, represents, or warrants its accuracy or completeness and Bidder should not rely upon it without independent inspection and verification from sources Bidder knows to be reliable. Seller and Auctioneer are not required to update any information provided or published and shall have no liability on any basis for failing to do so.

6. DISCLAIMER: Participation in the Auction is at Bidder's sole risk and Seller and Auctioneer, plus their agents, contractors, and employees, shall have no liability on any basis. The Property will be offered "**AS IS, WHERE IS, WITH ALL FAULTS.**" To the fullest extent allowed by law, Seller and Auctioneer unconditionally disclaim any guarantee, representation, or warranty of every kind, whether expressed, implied, or statutory, whether oral or written, whether past, present, or future, with respect to all Property Issues, except as expressly provided in the Terms of Auction and the Sale Contract. The Sale Contract contains express disclaimers, all of which should be read and understood by prospective bidders and which are incorporated herein by this reference.

7. DISCLOSURES: Unless otherwise disclosed, the Property will be offered for sale and conveyed by deed free and clear of all liens, mortgages, deeds of trust, delinquent taxes, assessments and warrants, but subject to all non-monetary encumbrances such as conditions, covenants, deeds, easements, reservations, restrictions, right-of-ways, title exceptions, zoning regulations and matters of record. Maps, depictions, and sketches in any materials related to the Property are for illustration purposes only and Seller and Auctioneer do not guarantee, represent, or warrant their accuracy or completeness. Residential dwellings built prior to 1978 may include lead-based paint. Buyer of such property must immediately execute a "Lead-Based Paint Waiver" in favor of Seller to be made part of the Sale Contract, thereby waiving Buyer's right to conduct any risk assessment or inspection for lead-based paint hazards. Every Bidder should read and understand the lead hazard information pamphlet provided and the "Lead Warning Statement" in the Sale Contract. Asbestos was commonly used in building construction prior to 1981 and can pose a significant health risk if disturbed and or dislodged in a way that causes asbestos fibers to be released. This can result from pounding, sanding, sawing, scraping, tearing, removing, or other remodeling procedures involving asbestos-containing material. Radon is a radioactive gas that

comes from the natural breakdown of uranium in soil, rock, and water. It is drawn into buildings through foundation and other openings to the soil. The U.S. Environmental Protection Agency and Surgeon General recommend all homebuyers have an indoor radon test conducted. Radon is a Class-A carcinogen and the second leading cause of lung cancer in the U.S. A building built, improved, or renovated during the approximate timeframe beginning in 2004 to present could contain defective drywall primarily manufactured in China. The presence of Chinese or other defective drywall has been linked to corrosion and significant damage to structural systems and other elements within and on affected properties. Chinese or other defective drywall is reported to emit a strong sulfur-like odor or fume which may also cause persons to experience health problems. The only cure known for Chinese or other defective drywall is to remove and replace it. Seller and Auctioneer notify Bidders of the potential issues and problems involved with Chinese or other defective drywall and make no representation of its existence or absence from the Property and specifically disclaim any and all responsibility or liability whatsoever to Bidder, Buyer, or anyone else if it is present.

8. REGISTRATION: Any competent adult with a satisfactory photo identification who properly registers and complies with the Terms of Auction may bid. Auctioneer may refuse to register or expel any person who is disruptive, noncompliant, or previously caused a problem for Seller or Auctioneer. Bidder must deposit a cashier's check in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) for Tract #6 or for the Entirety; Fifty Thousand Dollars (\$50,000) for Tract #3; or Ten Thousand Dollars (\$10,000) for Tracts #1, #2 or #5 with Auctioneer at registration. This deposit must be in the form of a cashier's check made payable to Bidder. Any person intending to bid on behalf of another must present Auctioneer with an executed, enforceable, recorded, and unexpired power of attorney which is subject to Auctioneer's approval. The requirements for Bidder registration may be waived by Auctioneer with respect to any Bidder, without waiving same for any other Bidder. By registering, Bidder acknowledges receipt of the Terms of Auction and access to the Sale Contract and unconditionally and irrevocably agrees to be bound by both.

9. BUYER'S PREMIUM: A Ten Percent (10.00%) buyer's premium shall be in effect for the Auction and added to the amount of the highest bid to arrive at the selling price for the Property ("total contract price").

10. AUCTION: The Property is scheduled to be sold to the highest respective bidder (absolute auction). Auctioneer's discretion includes, but is not limited to, the auction method, bid-calling, bid increments, and determining the buyer. The decision of Auctioneer is final regarding all matters that arise before, during, or after the Auction. Seller shall not bid. Bidder shall not retract any bid. Bidder's purchase shall be considered a single transaction whether of the whole or a fraction of the Property. The sale of any fraction of the Property shall not be contingent upon the sale of any other portion thereof, whether purchased by the same Buyer or not.

11. SALE CONTRACT: This is a cash sale and not contingent upon any matter, including Buyer obtaining financing. Buyer shall immediately execute the Sale Contract and all related documents presented by Auctioneer to bind Bidder and Seller to the sale of the Property. Any Buyer purchasing on behalf of a business or arm of government ("artificial person") shall immediately execute the Sale Contract in both the artificial person's and buyer's names, until such time as the artificial person presents Auctioneer with acceptable, written evidence of the artificial person's good standing in its state of formation, plus written authority, in a form acceptable to Auctioneer, agreeing to be bound by the Sale Contract. The Terms of Auction are incorporated into the Sale Contract which defines the entire agreement between Seller and Buyer. The Terms of Auction complement the Sale Contract and, in the event of any conflict between them, the Sale Contract shall control in all instances. Buyer shall execute the Sale Contract and no addition, deletion, or revision shall be permitted.

12. DEPOSIT: Buyer shall immediately pay to the escrow/closing agent, in U. S. Dollars, an earnest money deposit of no less than Ten Percent (10.00%) of the total contract price of the Property ("deposit"). If for any reason Buyer fails to timely execute the Sale Contract or pay the deposit, Seller has sole discretion, to: (a) pursue all legal and equitable remedies available against Buyer, or (b) declare Buyer's bid to be immediately forfeited, null, and void, without any requirement of notice, and immediately re-sell the Property to another buyer.

13. RELEASE: Bidders, Buyers, and other persons present at the Auction (collectively "Attendees") are advised that Auctioneer and its agents, contractors, employees, and/or representatives may record the Auction, related matters, and Attendees through audiotape, photography, motion pictures, and/or videotape for advertising, marketing, promotion, publicity, record, and/or trade purposes, and in consideration of being allowed to attend the Auction, Attendees unconditionally and irrevocably agree that their images and voices may be so recorded and used by Auctioneer in all types of media without territorial, time, or use limitation, and without compensation being owed or paid to Attendees by Auctioneer or Seller.

14. ARBITRATION: Any action, claim, controversy, counterclaim, dispute, or proceeding arising out of the Property Issues and involving Seller, Bidder, Buyer, or Auctioneer, in any combination, whether controlled by federal or state law, and whether an issue of law or equity, including the determination of the scope and applicability of this agreement to arbitrate, shall be determined and resolved exclusively by final and binding arbitration, with no appeal permitted, except as provided by applicable law for the judicial review or enforcement of arbitration decisions. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc., or its successor, and decided by a panel of three (3) independent arbitrators, with all proceedings to occur in Albemarle County, Virginia or other location mutually agreed by all parties. Judgment on the arbitration award may be entered in any court having jurisdiction. The parties waive the right to any legal action and trial by jury. The costs of arbitration, including the fees and expenses of the arbitrators, but not including the parties' attorneys' fees, shall initially be paid equally by them. The prevailing party shall be entitled to collect from the other its full costs associated with the arbitration, including reasonable attorneys' fees. All aspects of any arbitration shall be permanently kept confidential and not disclosed in any form or manner to any entity, media, or person, and the parties shall jointly move the court entering judgment on the arbitration award to so order. Any arbitration must be commenced within two (2) years from the date when the cause of arbitration accrues or it will be forever barred. The right of arbitration shall accrue, and the two (2) year limitation period shall begin to run, on the date the breach, damage, or injury is sustained and not when the resulting damage or harm is discovered.

15. CHOICE OF LAW, JURISDICTION, AND VENUE: Any Auction matter shall be exclusively construed and governed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. The exclusive jurisdiction and venue for any controversy or claim between the parties shall be the County of Albemarle in the State of Virginia.

16. MISCELLANEOUS: The Terms of Auction shall bind Bidders and their agents, assigns, attorneys, beneficiaries, brokers, directors, distributees, employees, executors, heirs, legatees, officers, representatives, shareholders, and successors in interest. No deletion, modification, supplement, or waiver of any provision of the Terms of Auction shall be made, except by Auctioneer's written revision or announcement at the Auction.

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J. P. King Auction Company, Inc.

Exhibit A

Part 2

First American Title Insurance Company

Commitment Number: 105069-1

SCHEDULE A

1. Effective Date: February 9, 2011 at 11:37 AM

2. Policy (or Policies) to be issued:

(a) Owner's Policy	(ALTA Own. Policy (6/17/06))	Amount
Proposed Insured:		To Be Determined
To Be Determined		

(b) Loan Policy	(ALTA Loan Policy (6/17/06))	
Proposed Insured:		

(c)	()	
Proposed Insured:		

3. Fee Simple interest in the land described in this Commitment is owned, at the Effective Date, by:

Grand Cru Properties, LLC, by deed from William E. Shmidheiser, III, Acting Substitute Trustee, dated February 8, 2011, recorded February 9, 2011, in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 3997, page 251.

4. The land referred to in this Commitment is described as follows:

SEE ATTACHED PROPERTY DESCRIPTION

COUNTERSIGNED: First American Title Insurance Company

By:

PRO FORMA

PRO FORMA, Southern Title Agency Corporation

This commitment is valid only if the Cover Sheet, Schedule B-I and Schedule B-II are attached
ALTA Commitment
Schedule A (6/17/06)

First American Title Insurance Company

Commitment Number: 105069-1

PROPERTY DESCRIPTION

The land referred to in this Commitment is described as follows:

TMP 102-37:

All that certain tract or parcel of land situated in the County of Albemarle, Virginia, located on State Routes 627 and 727, containing 78.1251 acres, more or less, shown on a plat by B. Aubrey Huffman & Associates, Ltd., dated February 8, 1984, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 789, page 187; LESS AND EXCEPT all those certain strips or parcels of land conveyed to the Commonwealth of Virginia in Deed Book 821, page 493, and Deed Book 821, page 497.

TMP 102-37P:

All that certain lot or parcel of land lying on State Route 727 in Albemarle County, Virginia, being more particularly described as Lot 9, containing 2.022 acres, on plat of Blenwood Subdivision, by R. O. Snow and Associates, C.L.S., dated May 23, 1975, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 577, page 378.

TMP 102-35B:

All that certain tract or parcel of land situated in the County of Albemarle, Virginia, located on State Routes 627 and 727, containing 61.9505 acres, more or less, shown on a plat by B. Aubrey Huffman & Associates, Ltd., dated February 24, 1982, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 824, page 72; LESS AND EXCEPT all those certain strips or parcels of land conveyed to the Commonwealth of Virginia in Deed Book 821, page 493, and Deed Book 821, page 497.

TMP 102-39:

All that certain lot or parcel of land situated in the County of Albemarle, Virginia, containing 94.260 acres, more or less, shown on a plat by M. M. Van Doren, Surveyor, dated February 16, 1932, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 515, page 328.

TMP 103-10A:

All that certain tract or parcel of and situated in the County of Albemarle, Virginia, located on State Routes 627 and 727, containing 22.7529 acres, more or less, shown on a plat by B. Aubrey Huffman & Associates, Ltd., dated February 24, 1982, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 824, page 73; LESS AND EXCEPT all those certain strips or parcels of land conveyed to the Commonwealth of Virginia in Deed Book 821, page 493, and Deed Book 821, page 497.

TMP 103-1:

All that certain tract or parcel of land situated in Albemarle County, Virginia, containing 144.41 acres, more or less, shown as TMP 103-1, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 2894, pages 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road", currently known as Eilerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

This Commitment is valid only if the Cover Sheet, Schedule B-I and Schedule B-II are attached.
ALTA Commitment

First American Title Insurance Company

Commitment Number: 105069-1

(Continued)

TMP 103-1B:

All that certain tract or parcel of land situated in Albemarle County, Virginia, containing 85.65 acres, more or less, more particularly described as NEW T.M. 103-1B, on a plat by Gloeckner Engineering/Surveying, Inc., dated May 16, 2005, revised November 10, 2005, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 3117, pages 171 through 174.

TMP 102-35A:

All that certain parcel or tract of land situated in Albemarle County, Virginia, containing 81.10 acres, more or less, shown as NEW T.M. 102-35A on a plat by Gloeckner Engineering/Surveying, Inc., dated May 16, 2005, revised November 10, 2005, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 3117, pages 171 through 174; TOGETHER WITH a non-exclusive easement for ingress and egress over 30' right of way easement as shown and set forth on plat recorded in Deed Book 3117, pages 171 through 174.

TMP 103-1C:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 1.41 acres, more or less, shown as TMP 103-1C, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 2894, pages 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road", currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

TMP 103-1E:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 327.73 acres, more or less, shown as TMP 103-1E, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 2894, pages 649 and 650; together with and including 0.05 acres and 0.79 acres, more or less, shown as Parcel B and Parcel E, respectively, but less and except a 0.58 acre correction as shown on a plat by Gloeckner Engineering/Surveying, Inc., dated May 16, 2005, revised November 10, 2005, and recorded in the aforesaid Clerk's Office in Deed Book 3117, pages 171 through 174; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road", currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

TMP 103-1F:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 3.01 acres, more or less, shown as TMP 103-1F, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of the County of Albemarle, Virginia, in Deed Book 2894, pages 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road", currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

TMP 103-1G:

This Commitment is valid only if the Cover Sheet, Schedule B-I and Schedule B-II are attached.
ALTA Commitment

First American Title Insurance Company

Commitment Number: 105069-1

(Continued)

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 4.14 acres, more or less, shown as TMP 103-1G, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of the County Albemarle, Virginia, in Deed Book 2894, pages 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road", currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

This Commitment is valid only if the Cover Sheet, Schedule B-I and Schedule B-II are attached.
ALTA Commitment

First American Title Insurance Company

Commitment Number: 105069-1

SCHEDULE B-I
(REQUIREMENTS)

The following are the requirements to be complied with:

1. Payment to, or for the account of, the sellers or mortgagors of the full consideration for the interest to be insured.
2. Proper instruments in insurable form creating the estate or interest to be insured must be executed, delivered and duly filed for record:
 - a. Duly authorized deed from Grand Cru Properties, LLC vesting fee simple title in To Be Determined.
3. Receipt of satisfactory waiver or release of mechanic's and materialmen's liens in the event statutory period for the filing of such liens has not expired; also, satisfaction and release of record of any recorded liens.

First American Title Insurance Company

Commitment Number: 105069-1

SCHEDULE B-II
(EXCEPTIONS)

Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the Company. This policy will not insure against loss or damage (and the Company will not pay costs, attorney's fees or expenses) which arise by reason of:

1. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date of the proposed insured acquires for value of record the estate or interest or mortgage thereon covered by this commitment.
2. Real estate taxes for 2011 and subsequent years, not yet due and payable.
3. Matters disclosed by and set out on plats recorded in Deed Book 515, page 328, Deed Book 577, page 378, Deed Book 702, page 27, Deed Book 789, page 187, Deed Book 824, pages 72 and 73, Deed Book 1105, pages 190 and 191, Deed Book 1957, page 698, Deed Book 2378, page 127, Deed Book 2894, pages 649 and 650, and Deed Book 3117, pages 171 through 174.
4. Easement granted Albemarle Telephone Company recorded in Deed Book 149, page 170.
5. Easements granted Virginia Electric and Power Company recorded in Deed Book 278, page 274, Deed Book 283, page 262, Deed Book 284, page 232, Deed Book 284, page 234, Deed Book 288, page 65, Deed Book 288, page 66, Deed Book 346, page 21, Deed Book 352, page 267, Deed Book 402, page 317, Deed Book 402, page 319, Deed Book 581, page 593, Deed Book 779, page 180, Deed Book 823, page 128, Deed Book 831, page 714, Deed Book 849, page 447, Deed Book 849, page 664, Deed Book 855, page 260, Deed Book 871, page 351, Deed Book 871, page 355, Deed Book 890, page 424, Deed Book 927, page 63, Deed Book 946, page 676, Deed Book 964, page 657, Deed Book 1139, page 330, Deed Book 1158, page 9, Deed Book 1187, page 462, Deed Book 1393, page 255, Deed Book 1432, page 19, Deed Book 2068, page 498, Deed Book 2245, page 315, and Deed Book 3029, page 297.
6. Easements granted Virginia Telephone and Telegraph Company recorded in Deed Book 272, page 470, Deed Book 277, page 313, Deed Book 278, page 31, Deed Book 278, page 538, Deed Book 294, page 395, Deed Book 377, page 30, Deed Book 437, page 325, Deed Book 437, page 334, Deed Book 437, page 335, Deed Book 437, page 350, Deed Book 437, page 368, Deed Book 437, page 379, Deed Book 441, page 492, Deed Book 441, page 501, and Deed Book 441, page 502.

NOTE: If policy is to be issued in support of a mortgage loan, attention is directed to the fact that the Company can assume no liability under its policy, the closing instructions, or Insured Closing Service for compliance with the requirements of any consumer credit protection or truth in lending law in connection with said mortgage loan.

This Commitment is valid only if the Cover Sheet, Schedule A and Schedule B-I are attached.
ALTA Commitment
Schedule B-II (6/17/06)

First American Title Insurance Company

Commitment Number: 105069-1

SCHEDULE B-II

(EXCEPTIONS)

(Continued)

7. Easements granted Central Telephone Company of Virginia recorded in Deed Book 588, page 344, Deed Book 3076, page 569, and Deed Book 3076, page 582.
8. Release of rights to claim compensation and damages for the construction and maintenance of State Route 627, granted the Commonwealth of Virginia in Deed Book 821, page 493, Deed Book 920, page 5, and Deed Book 920, page 22; together with related drainage easements.
9. Release of rights to claim compensation and damages for the construction and maintenance of State Route 727, granted the Commonwealth of Virginia in Deed Book 821, page 497, and Deed Book 836, page 639; together with related drainage easements. A portion of State Route 727 was relocated in Deed Book 838, page 216.
10. Road easement, water use and pipeline easement recorded in Deed Book 593, page 343, Deed Book 686, page 137, and Deed Book 741, page 510.
11. Terms and conditions of easement and agreement recorded in Deed Book 1105, page 185.
12. Road easement, septic tank and drainfield easement recorded in Deed Book 702, page 24.
13. Riparian rights of others in Murphys River and stream as shown on plat recorded in Deed Book 515, page 328.
14. Possible change in boundary along Murphys River, as shown on plat recorded in Deed Book 515, page 328, due to shifting of Murphys River, as it meanders.

NOTE: If policy is to be issued in support of a mortgage loan, attention is directed to the fact that the Company can assume no liability under its policy, the closing instructions, or Insured Closing Service for compliance with the requirements of any consumer credit protection or truth in lending law in connection with said mortgage loan.

This Commitment is valid only if the Cover Sheet, Schedule A and Schedule B-I are attached.
ALTA Commitment
Schedule B-II (6/17/06)

First American Title Insurance Company

Commitment Number: 105069-1

SCHEDULE B-II

(EXCEPTIONS)

(Continued)

15. Terms and conditions of Stormwater Management/BMP Facilities Maintenance Agreement recorded in Deed Book 2179, page 391.
16. Radio Tower easement recorded in Deed Book 2029, page 237.
17. Terms and conditions of Order recorded in Deed Book 670, page 642.
18. Terms and conditions of open-space easements granted Virginia Outdoors Foundation recorded in Deed Book 2890, page 682, and Deed Book 3113, page 275.
19. Terms and conditions of road maintenance agreements recorded in Deed Book 3020, page 315, and Deed Book 3117, page 159.
20. Possible roll-back of deferred real estate taxes due to a change in land use or failure to qualify for continued deferral of real estate taxes.
21. Sight easements recorded in Deed Book 2378, page 124, and Deed Book 2944, page 226.
22. Easements granted Virginia Public Service Company recorded in Deed Book 237, page 392, and Deed Book 250, page 519.
23. Title to that portion of the insured property lying within the bounds of cemetery as set forth in instrument recorded in Deed Book 174, page 521; together with rights of access thereto.

NOTE: If policy is to be issued in support of a mortgage loan, attention is directed to the fact that the Company can assume no liability under its policy, the closing instructions, or Insured Closing Service for compliance with the requirements of any consumer credit protection or truth in lending law in connection with said mortgage loan.

This Commitment is valid only if the Cover Sheet, Schedule A and Schedule B-I are attached.
ALTA Commitment
Schedule B-II (6/17/06)

First American Title Insurance Company


Commitment Number: 105069-1

SCHEDULE B-II
(EXCEPTIONS)
(Continued)

24. Spring easements recorded in Deed Book 307, page 242, Deed Book 411, page 151, and Deed Book 398, page 551.
25. Rights of others to use private roads shown on plats recorded in Deed Book 735, page 167, and Deed Book 398, page 555, and more particularly described in instrument recorded in Deed Book 398, page 551.
26. Deed of easement granted to Commonwealth of Virginia for drainage culverts for State Route 627, recorded in Albemarle Deed Book 3707, page 584.
27. Matters discoverable by an accurate physical survey and inspection of the premises.

NOTE: If policy is to be issued in support of a mortgage loan, attention is directed to the fact that the Company can assume no liability under its policy, the closing instructions, or Insured Closing Service for compliance with the requirements of any consumer credit protection or truth in lending law in connection with said mortgage loan.

This Commitment is valid only if the Cover Sheet, Schedule A and Schedule B-I are attached.
ALTA Commitment
Schedule B-II (6/17/06)

 First American Title	<h1>Title Insurance Commitment</h1>
	BY First American Title Insurance Company
<h1>Commitment</h1>	

INFORMATION

The Title Insurance Commitment is a legal contract between you and the Company. It is issued to show the basis on which we will issue a Title Insurance Policy to you. The Policy will insure you against certain risks to the land title, subject to the limitations shown in the Policy.

The Company will give you a sample of the Policy form, if you ask.

This Policy contains an arbitration clause. All arbitrable matters when the Matter of Insurance is \$2,000,000 or less shall be arbitrated at the option of either the Company or you as the exclusive remedy of the parties. You may review a copy of the arbitration rules at <http://www.alta.org/>.

The Commitment is based on the land title as of the Commitment Date. Any changes in the land title or the transaction may affect the Commitment and the Policy.

The Commitment is subject to its Requirements, Exceptions and Conditions.

THIS INFORMATION IS NOT PART OF THE TITLE INSURANCE COMMITMENT. YOU SHOULD READ THE COMMITMENT VERY CAREFULLY.

If you have any questions about the Commitment, contact:
FIRST AMERICAN TITLE INSURANCE COMPANY
 1 First American Way; Santa Ana, CA 92707.

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AGREEMENT TO ISSUE POLICY	1
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SCHEDULE A	Insert
1. Commitment Date	
2. Policies to be Issued, Amounts and Proposed Insureds	
3. Interest in the Land and Owner	
4. Description of the Land	
SCHEDULE B-I - REQUIREMENTS	Insert
SCHEDULE B-II - EXCEPTIONS	Insert

AGREEMENT TO ISSUE POLICY

We agree to issue policy to you according to the terms of the Commitment. When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this Commitment is limited by the following:

- The Provisions in Schedule A.
- The Requirements in Schedule B-I.
- The Exceptions in Schedule B-II.
- The Conditions on Page 2

This Commitment is not valid without SCHEDULE A and Sections I and II of SCHEDULE B.

First American Title Insurance Company



Dennis J. Gilmore

Dennis J. Gilmore
President

Timothy Kemp

Timothy Kemp
Secretary

(This Commitment is valid only when Schedules A and B are attached)

This jacket was created electronically and constitutes an original document

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CONDITIONS

1. DEFINITIONS

(a) "Mortgage" means mortgage, deed of trust or other security instrument. (b) "Public Records" means title records that give constructive notice of matters affecting your title according to the state statutes where your land is located.

2. LATER DEFECTS

The Exceptions in Schedule B – Section II may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements (a) and (c) of Schedule B – Section I are met. We shall have no liability to you because of this amendment.

3. EXISTING DEFECTS

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

4. LIMITATION OF OUR LIABILITY

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

Comply with the Requirements shown in Schedule B - Section I

or

Eliminate with our written consent any Exceptions shown in Schedule B - Section II.

We shall not be liable for more than the Policy Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

5. CLAIMS MUST BE BASED ON THIS COMMITMENT

Any claim, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this Commitment and is subject to its terms.

RESIDENTIAL PROPERTY DISCLOSURE STATEMENT

NOTICE TO SELLER AND PURCHASER

The Virginia Residential Property Disclosure Act (§ 55-517 et seq. of the Code of Virginia) requires the owner of certain residential real property, whenever the property is to be sold or leased with an option to buy, to furnish to the purchaser a RESIDENTIAL PROPERTY DISCLOSURE STATEMENT stating the owner makes the following representations as to the real property. Certain transfers of residential property are excluded from this requirement (see § 55-518).

Property Address/

Legal Description: TMP's 103-1E, 103-1F, 103-1C Albemarle County, VA.

1. **CONDITION:** The undersigned owner(s) of the real property described above makes no representations or warranties as to the condition of the real property or any improvements thereon, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary including obtaining a certified home inspection, as defined in § 54.1-500, in accordance with the terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
2. **ADJACENT PARCELS:** The undersigned owner(s) makes no representations with respect to any matters that may pertain to parcels adjacent to the subject parcel, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to adjacent parcels in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
3. **HISTORIC DISTRICT ORDINANCES(S):** The undersigned owner(s) makes no representations to any matters that pertain to whether the provisions of any historic district ordinance affect the property, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to any historic district designated by the locality pursuant to §15.2-2306, including review of any local ordinance creating such district or any official map adopted by the locality depicting historic districts, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
4. **RESOURCE PROTECTION AREAS:** The undersigned owner(s) makes no representations with respect to whether the property contains any resource protection areas established in an ordinance implementing the Chesapeake Bay Preservation Act (§ 10.1-2100 et seq.) adopted by the locality where the property is located pursuant to § 10.1-2109, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine whether the provisions of any such ordinance affect the property, including review of any official map adopted by the locality depicting resource protection areas, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.

5. **SEXUAL OFFENDERS:** The undersigned owner(s) makes no representations with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to such information, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.
6. **DAM BREAK INUNDATION ZONE(S):** The undersigned owner(s) makes no representations with respect to whether the property is within a dam break inundation zone and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to whether the property resides within a dam break inundation zone, including a review of any map adopted by the locality depicting dam break inundation zones.
7. **STORMWATER DETENTION:** The undersigned owner(s) makes no representations with respect to the presence of any stormwater detention facilities located on the property and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine the presence of any stormwater detention facilities on the property, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.
8. **WASTEWATER SYSTEM:** The undersigned owner(s) makes no representations with respect to the presence of any wastewater system, including the type or size thereof or associated maintenance responsibilities related thereto, located on the property and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine the presence of any wastewater system on the property, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.
9. **UNIFORM STATEWIDE BUILDING CODE:** The undersigned owner(s) represents that there are no pending enforcement actions pursuant to the Uniform Statewide Building Code (§ 36-97 et seq.) that affect the safe, decent, and sanitary living conditions of the real property described above of which the owner has been notified in writing by the locality, nor any pending violation of the local zoning ordinance which the violator has not abated or remedied under the zoning ordinance, within a time period set out in the written notice of violation from the locality or established by a court of competent jurisdiction, except as disclosed on this statement.

Additional Written Disclosure Requirements

FIRST SALE OF A DWELLING: Section 55-518.B. contains other disclosure requirements for transfers involving the first sale of a dwelling because the first sale of a dwelling is exempt from the disclosure requirements listed above. The builder of a new dwelling shall disclose in writing to the purchaser thereof all known material defects which would constitute a violation of any applicable building code.

PLANNING DISTRICT 15: In addition, for property that is located wholly or partially in any locality comprising Planning District 15, the builder or owner, if the builder is not the owner of the property, shall disclose in writing whether the builder or owner has any knowledge of (i) whether mining operations have previously been conducted on the property or (ii) the presence of abandoned mines, shafts, or pits, if any.

The disclosures required by this subsection shall be made by a builder or owner (i) when selling a completed dwelling, before acceptance of the purchase contract or (ii) when selling a dwelling before or during its construction, after issuance of a certificate of occupancy. Such disclosure shall not abrogate any warranty or any other contractual obligations the builder or owner may have to the purchaser. The disclosure required by this subsection may be made on this disclosure form. If no defects are known by the builder to exist, no written disclosure is required by this subsection.

Section 55-519.1 contains a disclosure requirement for properties located in any locality in which there is a military air installation.

Section 32.1-164.1:1 contains a disclosure requirement regarding the validity of septic system operating permits.

See also the Virginia Condominium Act (§ 55-79.39 et seq.), the Virginia Cooperative Act (§ 55-424 et seq.) and the Virginia Property Owners' Association Act (§ 55-508 et seq.).

The owner(s) acknowledge having carefully examined this statement and further acknowledge that they have been informed of their rights and obligations under the Virginia Residential Property Disclosure Act. *Grand Cru Properties, LLC*

BY: *Farm Credit of the Virginias, ACFI*
 BY: *[Signature]* DATE *2/22/11*
 ITS AUTHORIZED AGENT

 Owner Date

The purchaser(s) acknowledge receipt of a copy of this disclosure statement and further acknowledge that they have been informed of their rights and obligations under the Virginia Residential Property Disclosure Act.

 Purchaser Date

 Purchaser Date

DPOR 7/10

RESIDENTIAL PROPERTY DISCLOSURE STATEMENT

NOTICE TO SELLER AND PURCHASER

The Virginia Residential Property Disclosure Act (§ 55-517 et seq. of the Code of Virginia) requires the owner of certain residential real property, whenever the property is to be sold or leased with an option to buy, to furnish to the purchaser a RESIDENTIAL PROPERTY DISCLOSURE STATEMENT stating the owner makes the following representations as to the real property. Certain transfers of residential property are excluded from this requirement (see § 55-518).

Property Address/

Legal Description: TMP 102-35B - as to both dwellings located thereon.
Albemarle County, VA.

1. **CONDITION:** The undersigned owner(s) of the real property described above makes no representations or warranties as to the condition of the real property or any improvements thereon, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary including obtaining a certified home inspection, as defined in § 54.1-500, in accordance with the terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
2. **ADJACENT PARCELS:** The undersigned owner(s) makes no representations with respect to any matters that may pertain to parcels adjacent to the subject parcel, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to adjacent parcels in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
3. **HISTORIC DISTRICT ORDINANCES(S):** The undersigned owner(s) makes no representations to any matters that pertain to whether the provisions of any historic district ordinance affect the property, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to any historic district designated by the locality pursuant to §15.2-2306, including review of any local ordinance creating such district or any official map adopted by the locality depicting historic districts, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
4. **RESOURCE PROTECTION AREAS:** The undersigned owner(s) makes no representations with respect to whether the property contains any resource protection areas established in an ordinance implementing the Chesapeake Bay Preservation Act (§ 10.1-2100 et seq.) adopted by the locality where the property is located pursuant to § 10.1-2109, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine whether the provisions of any such ordinance affect the property, including review of any official map adopted by the locality depicting resource protection areas, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.

5. **SEXUAL OFFENDERS:** The undersigned owner(s) makes no representations with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to such information, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.
6. **DAM BREAK INUNDATION ZONE(S):** The undersigned owner(s) makes no representations with respect to whether the property is within a dam break inundation zone and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to whether the property resides within a dam break inundation zone, including a review of any map adopted by the locality depicting dam break inundation zones.
7. **STORMWATER DETENTION:** The undersigned owner(s) makes no representations with respect to the presence of any stormwater detention facilities located on the property and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine the presence of any stormwater detention facilities on the property, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.
8. **WASTEWATER SYSTEM:** The undersigned owner(s) makes no representations with respect to the presence of any wastewater system, including the type or size thereof or associated maintenance responsibilities related thereto, located on the property and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine the presence of any wastewater system on the property, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.
9. **UNIFORM STATEWIDE BUILDING CODE:** The undersigned owner(s) represents that there are no pending enforcement actions pursuant to the Uniform Statewide Building Code (§ 36-97 et seq.) that affect the safe, decent, and sanitary living conditions of the real property described above of which the owner has been notified in writing by the locality, nor any pending violation of the local zoning ordinance which the violator has not abated or remedied under the zoning ordinance, within a time period set out in the written notice of violation from the locality or established by a court of competent jurisdiction, except as disclosed on this statement.

Additional Written Disclosure Requirements

FIRST SALE OF A DWELLING: Section 55-518.B. contains other disclosure requirements for transfers involving the first sale of a dwelling because the first sale of a dwelling is exempt from the disclosure requirements listed above. The builder of a new dwelling shall disclose in writing to the purchaser thereof all known material defects which would constitute a violation of any applicable building code.

PLANNING DISTRICT 15: In addition, for property that is located wholly or partially in any locality comprising Planning District 15, the builder or owner, if the builder is not the owner of the property, shall disclose in writing whether the builder or owner has any knowledge of (i) whether mining operations have previously been conducted on the property or (ii) the presence of abandoned mines, shafts, or pits, if any.

The disclosures required by this subsection shall be made by a builder or owner (i) when selling a completed dwelling, before acceptance of the purchase contract or (ii) when selling a dwelling before or during its construction, after issuance of a certificate of occupancy. Such disclosure shall not abrogate any warranty or any other contractual obligations the builder or owner may have to the purchaser. The disclosure required by this subsection may be made on this disclosure form. If no defects are known by the builder to exist, no written disclosure is required by this subsection.

Section 55-519.1 contains a disclosure requirement for properties located in any locality in which there is a military air installation.

Section 32.1-164.1:1 contains a disclosure requirement regarding the validity of septic system operating permits.

See also the Virginia Condominium Act (§ 55-79.39 et seq.), the Virginia Cooperative Act (§ 55-424 et seq.) and the Virginia Property Owners' Association Act (§ 55-508 et seq.).

The owner(s) acknowledge having carefully examined this statement and further acknowledge that they have been informed of their rights and obligations under the Virginia Residential Property Disclosure Act.

Grand Cro Properties, LLC
 By: Farm Credit of the Virginias, ACA

By: Obina Sae DATE 2/23/11 Owner Date
 ITS AUTHORIZED AGENT

The purchaser(s) acknowledge receipt of a copy of this disclosure statement and further acknowledge that they have been informed of their rights and obligations under the Virginia Residential Property Disclosure Act.

 Purchaser Date Purchaser Date

DPOR 7/10

RESIDENTIAL PROPERTY DISCLOSURE STATEMENT

NOTICE TO SELLER AND PURCHASER

The Virginia Residential Property Disclosure Act (§ 55-517 et seq. of the Code of Virginia) requires the owner of certain residential real property, whenever the property is to be sold or leased with an option to buy, to furnish to the purchaser a RESIDENTIAL PROPERTY DISCLOSURE STATEMENT stating the owner makes the following representations as to the real property. Certain transfers of residential property are excluded from this requirement (see § 55-518).

Property Address/

Legal Description: TMP 102-37P Albemarle County, VA

1. **CONDITION:** The undersigned owner(s) of the real property described above makes no representations or warranties as to the condition of the real property or any improvements thereon, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary including obtaining a certified home inspection, as defined in § 54.1-500, in accordance with the terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
2. **ADJACENT PARCELS:** The undersigned owner(s) makes no representations with respect to any matters that may pertain to parcels adjacent to the subject parcel, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to adjacent parcels in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
3. **HISTORIC DISTRICT ORDINANCES(S):** The undersigned owner(s) makes no representations to any matters that pertain to whether the provisions of any historic district ordinance affect the property, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to any historic district designated by the locality pursuant to §15.2-2306, including review of any local ordinance creating such district or any official map adopted by the locality depicting historic districts, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.
4. **RESOURCE PROTECTION AREAS:** The undersigned owner(s) makes no representations with respect to whether the property contains any resource protection areas established in an ordinance implementing the Chesapeake Bay Preservation Act (§ 10.1-2100 et seq.) adopted by the locality where the property is located pursuant to § 10.1-2109, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine whether the provisions of any such ordinance affect the property, including review of any official map adopted by the locality depicting resource protection areas, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement on the parcel of residential real property.

5. **SEXUAL OFFENDERS:** The undersigned owner(s) makes no representations with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2, and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to such information, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.

6. **DAM BREAK INUNDATION ZONE(S):** The undersigned owner(s) makes no representations with respect to whether the property is within a dam break inundation zone and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary with respect to whether the property resides within a dam break inundation zone, including a review of any map adopted by the locality depicting dam break inundation zones.

7. **STORMWATER DETENTION:** The undersigned owner(s) makes no representations with respect to the presence of any stormwater detention facilities located on the property and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine the presence of any stormwater detention facilities on the property, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.

8. **WASTEWATER SYSTEM:** The undersigned owner(s) makes no representations with respect to the presence of any wastewater system, including the type or size thereof or associated maintenance responsibilities related thereto, located on the property and the purchaser(s) is advised to exercise whatever due diligence the purchaser(s) deems necessary to determine the presence of any wastewater system on the property, in accordance with terms and conditions as may be contained in the real estate purchase contract, but in any event, prior to settlement pursuant to that contract.

9. **UNIFORM STATEWIDE BUILDING CODE:** The undersigned owner(s) represents that there are no pending enforcement actions pursuant to the Uniform Statewide Building Code (§ 36-97 et seq.) that affect the safe, decent, and sanitary living conditions of the real property described above of which the owner has been notified in writing by the locality, nor any pending violation of the local zoning ordinance which the violator has not abated or remedied under the zoning ordinance, within a time period set out in the written notice of violation from the locality or established by a court of competent jurisdiction, except as disclosed on this statement.

Additional Written Disclosure Requirements

FIRST SALE OF A DWELLING: Section 55-518.B. contains other disclosure requirements for transfers involving the first sale of a dwelling because the first sale of a dwelling is exempt from the disclosure requirements listed above. The builder of a new dwelling shall disclose in writing to the purchaser thereof all known material defects which would constitute a violation of any applicable building code.

PLANNING DISTRICT 15: In addition, for property that is located wholly or partially in any locality comprising Planning District 15, the builder or owner, if the builder is not the owner of the property, shall disclose in writing whether the builder or owner has any knowledge of (i) whether mining operations have previously been conducted on the property or (ii) the presence of abandoned mines, shafts, or pits, if any.

The disclosures required by this subsection shall be made by a builder or owner (i) when selling a completed dwelling, before acceptance of the purchase contract or (ii) when selling a dwelling before or during its construction, after issuance of a certificate of occupancy. Such disclosure shall not abrogate any warranty or any other contractual obligations the builder or owner may have to the purchaser. The disclosure required by this subsection may be made on this disclosure form. If no defects are known by the builder to exist, no written disclosure is required by this subsection.

Section 55-519.1 contains a disclosure requirement for properties located in any locality in which there is a military air installation.

Section 32.1-164.1:1 contains a disclosure requirement regarding the validity of septic system operating permits.

See also the Virginia Condominium Act (§ 55-79.39 et seq.), the Virginia Cooperative Act (§ 55-424 et seq.) and the Virginia Property Owners' Association Act (§ 55-508 et seq.).

The owner(s) acknowledge having carefully examined this statement and further acknowledge that they have been informed of their rights and obligations under the Virginia Residential Property Disclosure Act. *Grand Cru Properties, LLC*

By: *Farm Credit of the Virginians, ACF*

By: *[Signature]* 2/23/11
Its authorized agent

 Owner Date

The purchaser(s) acknowledge receipt of a copy of this disclosure statement and further acknowledge that they have been informed of their rights and obligations under the Virginia Residential Property Disclosure Act.

 Purchaser Date

 Purchaser Date

DPOR 7/10

J. P. KING AUCTION COMPANY, INC.

REAL PROPERTY SALE CONTRACT

Kluge Estate Winery
 Charlottesville, VA
 Thursday, April 7, 2011 1:00 P.M. (ET)

BIDDER NO. _____

TRACT NO. _____

THIS REAL PROPERTY SALE CONTRACT ("Sale Contract"), made April 7, 2011, by and between Grand Cru Properties, LLC ("Seller"), whose address is 4646 South Valley Pike, Harrisonburg, VA 22801, and

_____ ("Buyer"),
 whose address is _____

Seller is represented in this sale by J. P. King Auction Company, Inc. ("King"), an Alabama corporation headquartered at 108 Fountain Avenue in Gadsden, Alabama 35901 (telephone 800-662-5464 or 256-546-5217 and facsimile 256-543-8036) and its broker, Margaret A. Segrest ("Broker") whose address is 108 Fountain Avenue, Gadsden, AL 35901 (unless otherwise noted, King and Broker collectively referred to as "Auctioneer").

NOW, THEREFORE, in consideration of the agreements and covenants herein, and other good and valuable consideration, the adequacy and receipt of which are acknowledged, the parties being duly authorized and empowered to execute this Sale Contract and intending to be legally bound agree as follows:

ARTICLE I – AGREEMENT TO PURCHASE

Seller agrees to sell and Buyer agrees to buy, pursuant to the terms herein, the real property and, if applicable, personal property described below ("Property"). The terms for the Auction ("Terms of Auction") are incorporated into this Sale Contract which defines the entire agreement between Seller and Buyer for the purchase and sale of the Property, whether by auction ("Auction") or otherwise. The Terms of Auction complement this Sale Contract and may differ in some respects from it. In the event of any conflict between the Terms of Auction and this Sale Contract, the Sale Contract shall control in all instances. In the event of a sale of the Property other than by Auction, Buyer is advised that the Terms of Auction are still incorporated into this Sale Contract to define the entire agreement between Seller and Buyer for the purchase and sale of the Property, and Buyer is advised to obtain, read, and fully understand the Terms of Auction before entering into this Sale Contract.

ARTICLE II – THE PROPERTY

The Property is described in the legal description as shown on Attachment IV herein ("Property"). Should any survey, now existing or later made, indicate greater or lesser acreage or square footage in the Property than represented by Seller or Auctioneer, no adjustment will be made to the purchase price ("total contract price") which is a gross price to be paid by Buyer to Seller for the Property.

ARTICLE III – TOTAL CONTRACT PRICE

The Property's selling price and scheduled payments follows:

HIGH BID PRICE:	\$ _____
ADD 10.00 % BUYER'S PREMIUM	\$ _____
TOTAL CONTRACT PRICE.....	\$ _____
TOTAL EARNEST MONEY DEPOSIT (10%).....	\$(_____)
Bidder's Registration Fee (\$ _____)	
Personal/Company Check (\$ _____)	
 BALANCE OF TOTAL CONTRACT PRICE OWED	 \$ _____

All payments must be made in good funds and in U. S. Dollars. Buyer's earnest money deposit ("Buyer's deposit") shall be paid to Community Settlement Group, LLC, the designated Escrow/Closing Agent ("Escrow Agent"), and Escrow Agent shall administer the deposit and conduct the closing of the sale of the Property ("closing"). This is a cash sale which is not contingent upon any matter including, but not limited to, Buyer's ability to obtain financing for this

purchase or any appraisal of the Property. The balance of the total contract price owed by Buyer for the Property does not include Buyer's closing costs, any costs associated with financing, any prepaid or prorated closing charges, or taxes applicable to Buyer.

ARTICLE IV – DISCLAIMER

As a material part of the consideration for this Agreement, Seller and Buyer agree that the Property is being sold **"AS IS, WHERE IS, WITH ALL FAULTS"** and with all burdens, circumstances, defects, faults, dangers, hazards, issues, material facts, problems, and other relevant matters, whether latent or patent, whether past, present, or future, and whether or not referenced herein, or in the Terms of Auction, and Buyer knowingly, voluntarily, unconditionally, and irrevocably waives, releases, and discharges Seller and Auctioneer from any claim that Buyer may otherwise have had with respect to the Property, the Auction, this Sale Contract, and the transaction contemplated. **TO THE FULLEST EXTENT ALLOWED BY LAW, SELLER AND AUCTIONEER UNCONDITIONALLY DISCLAIM ANY GUARANTEE, REPRESENTATION, AND WARRANTY OF EVERY KIND, WHETHER EXPRESSED, IMPLIED, OR STATUTORY, WHETHER ORAL OR WRITTEN, WITH RESPECT TO THE PROPERTY, THE SURROUNDING AREA, THE AUCTION, THE TERMS OF AUCTION AND ALL MATTERS REFERENCED THEREIN (INCLUDING, BUT NOT LIMITED TO, ALL MATTERS REFERRED TO WITHIN THIS ARTICLE, PLUS THE SECTION ON "BIDDER'S DUE DILIGENCE" INCLUDED IN THE TERMS OF AUCTION), PLUS ALL OTHER RELEVANT MATTERS, WHETHER PAST, PRESENT, OR FUTURE, AND WHETHER OR NOT REFERENCED HEREIN, IN THE TERMS OF AUCTION, OR ELSEWHERE, EXCEPT FOR LIMITED WARRANTIES THAT MAY BE GIVEN BY SELLER TO BUYER IN THE DEED OF CONVEYANCE OR IN THE MANDATED RESIDENTIAL PROPERTY DISCLOSURE STATEMENT, IF APPLICABLE.** Maps, depictions, and sketches included in the marketing material for the Auction are for illustration purposes only and neither Seller nor Auctioneer warrants or guarantees these materials or related information to be accurate or complete. Buyer acknowledges and agrees that it is Buyer's exclusive responsibility to make and independently verify such factual, legal, and other inquiries, inspections, investigations, and studies as Buyer deems appropriate, desirable, and necessary with respect to the Property, the Auction, this Sale Contract, and this sale, all of which shall be at Buyer's exclusive cost, and Seller and Auctioneer shall have no liability whatsoever on any basis or in any amount. Buyer acknowledges and agrees that, in executing this Sale Contract and purchasing the Property, Buyer is not relying upon any guarantee, representation, or warranty of any kind that Seller and Auctioneer have disclaimed, nor is Buyer relying upon any assertion, brochure, claim, document, information, literature, map, projection, sketch, or statement of any kind with respect to the Property and any improvements thereon, including the surrounding area and all relevant circumstances, facts, issues, and matters, whether past, present, or future, whether expressed or implied, whether oral or written, whether material or immaterial, and whether given or made by, or on behalf of, Seller or Auctioneer. Instead, Buyer is relying solely upon Buyer's independent due diligence, inspection, investigation, and findings with respect to the Property, the surrounding area, the Auction, the Terms of Auction and all relevant matters whether past, present, or future, and whether or not referenced herein, in the Terms of Auction, or elsewhere. Seller and Auctioneer shall not be liable to Buyer for any relief, including, but not limited to, adjustment, allowance, damages, reformation, or rescission, based upon the failure of the Property to conform to any specific condition, expectation, standard, or any third-party documents or information. Buyer shall look only to Seller, and not Auctioneer, with respect to all matters regarding the sale of the Property and this Sale Contract. This Article shall survive Closing and delivery of the deed.

ARTICLE V – FIXTURES AND PERSONAL PROPERTY

This sale includes all built-in appliances, cabinets, fixtures, carpet (attached wall-to-wall), installed systems (cooling, electrical, heating, lighting, mechanical, plumbing, and vacuum), in-ground plantings (including flowers, shrubbery, and trees), vineyards, and all other items and things permanently attached to the Property. No personal or other property is included in this sale unless otherwise indicated.

ARTICLE VI – DISCLOSURES

Any disclosures made and information given by Seller and/or Auctioneer to Buyer regarding the Property and any improvements thereon, the surrounding area, and all circumstances, facts, issues, and other matters relevant to this sale are provided subject to the disclaimers stated herein. **LEAD WARNING STATEMENT:** In the event the Property includes any interest in residential real property built prior to 1978, federal law (42 U.S.C. 4852(d)) requires the following disclosure: "Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase." A seller of an interest in such real property is required to provide a buyer with a lead hazard information pamphlet, disclose to the buyer the presence of any known lead-based paint, or any known lead-based paint hazards, in such housing and provide the buyer with any lead hazard evaluation report available to the seller, and permit the purchaser a 10-day period, unless the parties mutually agree upon a different period of time, to conduct a risk assessment or inspection for the presence of lead-based paint hazards. Buyer previously

agreed to execute a "Lead-Based Paint Waiver" ("Waiver"), to be made part of this Sale Contract, fully waiving the right to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead-based paint hazards on the Property, and Buyer has executed this "Waiver" and it is incorporated herein by reference. State law enforcement may maintain a database of known sex offenders who reside within the area. Information regarding sex offenders may be obtained by contacting local law enforcement authorities. Buyer relies exclusively upon Buyer's own due diligence and inquiry into this issue and Buyer acknowledges having done all of the research that Buyer desires to do or, in the alternative, Buyer waives the right to research this issue prior to entering into this Sale Contract. Buyer unconditionally and irrevocably acknowledges and agrees that Buyer has not relied upon Seller or Auctioneer for any information regarding this issue and Seller and Auctioneer are not required to provide any additional information regarding the proximity to the Property of registered sex offenders. This Article shall survive Closing and delivery of the deed.

ARTICLE VII – BUYER'S DEPOSIT

Immediately upon the execution of this Sale Contract, Buyer shall pay Ten Percent (10.00%) of the total contract price for the Property as Buyer's deposit to Escrow Agent to be held on deposit by Escrow Agent in a designated bank escrow account, insured by Federal Deposit Insurance Corporation, and Escrow Agent shall administer the funds in accordance with this Sale Contract. This escrow account shall be non-interest bearing, unless otherwise required by law. The parties agree Escrow Agent shall be relieved of all liability and held harmless by them so long as Escrow Agent holds Buyer's Deposit and makes any disbursement from it in accordance with this Sale Contract. In the event of any controversy regarding Buyer's Deposit, Escrow Agent shall not be required to take any action, but may await the result of any proceeding, or at Escrow Agent's discretion, interplead Buyer's deposit into a court of competent jurisdiction in Albemarle County, Virginia for determination, and Escrow Agent shall thereafter have no liability whatsoever on any basis and for any amount with regards to Buyer's deposit and this Sale Contract.

ARTICLE VIII – BROKER INVOLVEMENT

Buyer warrants that Buyer (check one) ... [_____ is] ... [_____ is not] ... represented by a qualified, licensed, real-estate broker in this transaction. If Buyer is represented by a broker, the broker's full name, firm, and address are: _____

Buyer warrants not to have contacted or communicated with any real-estate agent or broker about the Property, other than Auctioneer and any broker identified in the previous sentence, and no other real-estate agent or broker was in any way instrumental in effecting this sale of the Property and there are no brokerage commissions, expenses, fees, or other sums due to any other real-estate agent or broker. Buyer agrees to hold Seller and Auctioneer harmless against any claim by any real-estate agent or broker not properly registered with and qualified by Auctioneer in the Cooperating Broker Incentive Program (see below), and Buyer shall indemnify Seller and Auctioneer against any action, arbitration, award, claim, cost, damage, deficiency, demand, expense, injury, judgment, liability, loss, or suit of every kind, including attorneys' fees and costs of defense, asserted by a real-estate agent or broker as a result of, or in relation to, the Auction, this Sale Contract, the transaction contemplated, or any related dealings involving Buyer, Seller, and/or Auctioneer. Buyer understands that upon closing, Seller shall pay Auctioneer a commission pursuant to the terms of a separate, written agreement.

ARTICLE IX – COOPERATING BROKER INCENTIVE PROGRAM

The Cooperating Broker Incentive Program is in effect for the Auction, such that a properly licensed broker ("Cooperating Broker") who timely registers and qualifies with Auctioneer in accordance with the terms of this program shall be paid a commission by Auctioneer at closing, in accordance with the terms of this program, provided that both Cooperating Broker and the Buyer that Cooperating Broker represents fulfill all requirements under the Terms of Auction, this Sale Contract, and this incentive program. If for any reason closing does not occur, including, but not limited to, the default of any party hereto, no commission shall be due or paid to any Cooperating Broker and Seller and Auctioneer shall have no liability on any basis and for any amount.

ARTICLE X – BUYER INCENTIVE PROGRAM

The Buyer Incentive Program is in effect for the Auction, such that a bidder who timely registers and qualifies with Auctioneer in accordance with the terms of this program and then becomes the Buyer of the Property shall be given a credit against the total purchase price at closing, to be applied against the total contract price of the Property, in accordance with the terms of this program, provided that Buyer fulfills all requirements under the Terms of Auction, this Sale Contract, and this program. If for any reason closing does not timely occur, including, but not limited to, the default of any party hereto, no credit shall be due or paid to any Buyer and neither Seller nor Auctioneer shall have any liability on any basis and for any amount. Buyer submitted a written opening bid, in the amount of \$ _____, per the terms of this program, which entitles Buyer to a credit of \$ _____ against the total purchase price in the event Buyer timely closes without default in accordance with this Contract and the terms of the buyer incentive program.

ARTICLE XI – CASUALTY

All risk of loss or damage to the Property shall be borne exclusively by Seller until closing. Immediately upon closing, all risk of loss shall be borne exclusively by Buyer. In the event the Property is, in the discretionary opinion of Seller, significantly damaged or destroyed by fire or other casualty after the execution of this Sale Contract and before closing, Seller shall have the option to restore the Property to its pre-casualty condition or cancel this Sale Contract, after giving written notice to Buyer of the option Seller selects. In the event Seller chooses to cancel this Sale Contract,

Buyer's deposit shall be promptly and fully refunded and this shall be a complete and final settlement with Buyer of all of Seller's obligations to Buyer herein, or otherwise relating to the Property and this sale. Should Seller desire to restore the Property to its pre-casualty condition, Seller shall have one hundred twenty (120) days, immediately following the date on which written notice is given to Buyer, to complete restoration. In the event Seller timely completes restoration, Seller shall give written notice of this fact to Buyer and closing shall immediately occur. In the event Seller does not timely complete restoration, Buyer shall have the option to give written notice to Seller of Buyer's intention to terminate this Sale Contract and Buyer's obligations herein shall then be immediately ended and Buyer's deposit shall be promptly and fully refunded, together with any interest accrued thereon, if applicable, as Buyer's sole and exclusive remedy and without any other recourse to Seller.

ARTICLE XII – SELLER'S BREACH

If Seller defaults in the performance of any term or obligation herein and closing does not timely occur as a result, Buyer shall have the option to give Seller written notice of Buyer's intention to terminate this Sale Contract and Buyer's obligations herein shall be immediately ended and Buyer's deposit shall be promptly and fully refunded, together with any interest accrued thereon, if applicable, as Buyer's sole and exclusive remedy hereunder and without any other recourse to Seller. Without limitation, Buyer shall not be entitled to and hereby waives any right to damages or specific performance or any other remedy other than return of Buyer's deposit. In no event shall Auctioneer have any liability whatsoever on any basis and for any amount as a result of Seller's breach of this Sale Contract or other wrongful act or omission.

ARTICLE XIII – BUYER'S BREACH

If Buyer defaults in the performance of any term or obligation herein and closing does not timely occur as a result, Seller shall give written notice to Buyer that Buyer's deposit shall be immediately forfeited to Seller as reasonable liquidated damages and not as a penalty against Buyer. Buyer forever waives and releases any right to sue Seller, Auctioneer, or Escrow Agent to recover the Buyer's deposit, or any part thereof, on the grounds that it is unreasonable in amount, or that its retention by Seller and Auctioneer is wrongful or a penalty not agreed upon by the parties as reasonable liquidated damages. If Buyer defaults in the performance of any term or other obligation herein and closing does not timely occur as a result, Seller shall have all rights allowed by law and in equity and pursuant to this Sale Contract, including the right to pursue a claim against Buyer for additional damages, specific performance of this Sale Contract, or cancellation of the sale, and including Buyer's payment of Seller's reasonable attorneys' fees and costs. Without limitation, in the event of Buyer's breach, Buyer's deposit shall be forfeited and Seller may resell the Property to the back-up buyer or otherwise with all losses (including but not limited to any price differential), costs and expenses of resale being the responsibility of the defaulting Buyer. In no event shall Auctioneer have any liability whatsoever on any basis and for any amount as a result of Buyer's breach of this Sale Contract or other wrongful act or omission.

ARTICLE XIV – CONVEYANCE AND TITLE

Seller shall convey fee simple title to the real estate comprising the Property to Buyer by special warranty deed, free and clear of all liens and encumbrances, except as specified in the "exceptions" of the title commitment, the Terms of Auction, this Sale Contract, and subject to all existing covenants, easements, restrictions, and matters of record. Buyer agrees to accept title to the Property subject to: (a) all standard exclusions and printed exceptions set forth in the owner's policy of title insurance, including all matters that would be disclosed by a current and accurate survey of the Property, (b) taxes and liens for taxes not yet due and payable, (c) easements for public utilities affecting the Property, (d) all other easements or claims to easements, covenants, restrictions, and rights-of-way affecting the Property; (e) rights and claims of any persons in possession, (f) all title exceptions referenced in the title commitment, including without limitation any conservation easements and related restrictions, if any, identified on the Parcel Addendum attached hereto and made a part hereof, (g) land-use laws, (h) applicable statutes, rules, and regulations, (i) zoning ordinances, and (j) all matters herein waived by Buyer (individually and collectively (a) through (j) are referred to as "permitted title exceptions"). If the title commitment reveals a defect in title which is not one of the permitted title exceptions, or if prior to closing a new defect in title is disclosed by an updated endorsement to the title commitment, which defect is not one of the permitted title exceptions, prior to closing Buyer may either waive such defect or give written notice of such to Seller and Escrow Agent not later than five (5) days from the date of discovery of such defect in title, whereupon Seller may, at its option, attempt to cure such defect prior to closing, or decline to cure the defect. If Buyer has given written notice to Seller of a defect in title which Buyer does not waive, and Seller is unable or unwilling to cure the defect on or before closing, this Sale Contract shall be terminated without liability to either party and Buyer's deposit shall be promptly and fully refunded, together with any interest accrued thereon, if applicable, except that, upon written notice to Buyer, Seller shall have the right, at Seller's sole election, to extend the date of closing by up to sixty (60) days, but not longer, to allow time for Seller to attempt to cure any defect in title. Seller shall not voluntarily create or cause any lien or other encumbrance to attach to the Property between the date this Sale Contract is made and closing.

ARTICLE XV – CLOSING

Community Settlement Group, LLC is the designated "Escrow Agent" for this sale. Closing may be conducted with Community Settlement Group, LLC or at the office of Buyer's designated settlement agent. Closing must occur on or before 5:00 p.m. on May 9, 2011 ("closing date"). If Buyer is acquiring more than one auction tract, then closing of such purchase shall occur at a single settlement covering all tracts unless Seller otherwise agrees in its sole discretion. At closing, Seller shall deliver to Buyer the deed provided for herein to convey good and clear title to the Property to Buyer,

and Buyer shall pay to Seller the balance of the purchase price owed in cash or by confirmed bank wire transfer of funds. Seller shall solely pay the costs for preparing the deed and all other legal documents needed to convey title to the Property to Buyer, including reproduction costs and the costs to record the release of any monetary lien against the Property, Grantor's recordation tax on the deed, plus Seller's attorney's fees. Buyer shall solely pay the costs for title search and exam fee, costs for preparation of the title work completed by Community Settlement Group, the premium for the owner's policy of title insurance, state and local recordation taxes and fees on the deed, the costs for recording the deed, and all other closing, financing, and sale costs, plus Buyer's attorney's fees. The current year's assessments and any special assessments, association dues and fees, current year's *ad valorem* taxes, insurance, interest, rents, utility charges, and all similar items applicable shall be prorated between Seller and Buyer to the closing date, with Buyer being responsible for the day of closing. If Closing occurs before the tax rate or assessed value of the Property is fixed for the then-current year, proration shall be based on the most recent tax rate applied to the most recent assessment, as full and final apportionment. Should any additional assessments, other costs, or taxes be levied or charged as a result of any change of use of the Property attributable to Buyer, such amounts shall be the exclusive responsibility of Buyer to pay. Closing may be conducted by mail. Seller shall grant Buyer possession of the Property immediately upon closing.

ARTICLE XVI – ASSIGNMENT AND THIRD PARTIES

Neither party may assign or transfer any interest in this Sale Contract without the prior, written consent of the other. Nothing contained in this Sale Contract, or in any document or instrument executed by a party in connection with the sale contemplated, shall create any rights in, or be deemed to have been executed for, the benefit of any person or entity not a party hereto, except as expressly provided herein.

ARTICLE XVII – AGENCY

The parties understand and agree that Auctioneer is acting solely as a single agent and exclusively representing Seller on this Sale Contract, the transaction contemplated, and all related matters, and Auctioneer is not acting as a sub-agent, Buyer's agent, or limited consensual dual agent.

ARTICLE XVIII – BACK UP CONTRACTS

(a) Buyer acknowledges and agrees that Seller intends to enter into back-up contracts with one or more of the next highest bidders at the Auction, and that in the event Buyer fails to timely make the Deposit or to Close on the purchase of the Property by the Closing Date, for any reason whatsoever, Buyer agrees that Seller may immediately upon such failure by Buyer, in Seller's sole discretion, without further notice, proceed to close on any back-up contract in accordance with the terms of that back-up contract and without in any way impairing the rights or remedies of Seller by virtue of Buyer's default under this Contract. All of Buyer's rights under this Contract shall automatically expire and terminate, and this Contract shall terminate immediately upon Seller's entry into or invocation of a back-up contract after Buyer's failure to Close under this Contract, and no tender of performance by Buyer after such entry into or invocation of a back-up contract shall be accepted or effective. If this Contract is designated as a back-up contract, then Buyer acknowledges and agrees that this is a back-up contract that Seller may invoke if the primary contract does not close, and that this back-up contract is subordinate to the contract between Seller and the higher-bidding contract purchaser.

ARTICLE XIX – NOTICE

Any notice between the parties permitted, required, or otherwise relating to this Sale Contract, the transaction contemplated, or the related dealings of the parties, shall be given in writing including, but not limited to, notice which addresses approval, breach, cancellation, claim, closing, complaint, consent, default, demand, objection, option, termination, waiver, or exercise of right. Notice shall be deemed given by a party and effective on the date when personally delivered to the other party or, in lieu of personal delivery, shall be deemed received three days after deposit in the US Mail when addressed to the other party at the address set forth herein and sent certified mail with postage prepaid and a receipt retained, or upon delivery if sent by a nationally-recognized overnight courier or delivery service with a receipt retained. A copy of any notice shall simultaneously be given to Auctioneer at the addresses listed on page one of this Sale Contract.

ARTICLE XX – LEGAL ACTION AND ARBITRATION

Any action, claim, controversy, or dispute arising out of this Sale Contract including, but not limited to, its breach, enforcement, interpretation, termination, validity, or the transaction contemplated, the Auction, or any related dealings between Seller, Bidder, Buyer, and/or Auctioneer ("Sale Issues"), whether controlled by federal or state law, and whether an issue of law or equity, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined and resolved exclusively by final and binding arbitration, with no appeal permitted, except as provided by applicable law for the judicial review or enforcement of arbitration decisions. The arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc., or its successor, pursuant to its "Comprehensive Arbitration Rules and Procedures" then in effect, and heard and decided by a panel of three (3) independent arbitrators. Judgment on the arbitration award may be entered in any court having jurisdiction. Each party unconditionally and irrevocably waives all right to a trial by jury in any action, proceeding, or counterclaim arising out of or related to this Sale Contract, the transactions contemplated, and the related dealings of the parties. The costs of arbitration, including the fees and expenses of the arbitrators, but not including the parties' attorneys' fees, shall initially be paid equally by the parties. The prevailing party shall be entitled to collect from the other its full costs associated with the arbitration, including reasonable attorneys' fees. The parties agree that the filing, proceedings, rulings, decisions, result, and award from any arbitration

shall be permanently kept confidential and not disclosed in any form or manner to any entity, media, or person whatsoever, and the parties shall jointly move the court entering judgment on the arbitration award to so order. Any arbitration or other adversarial proceeding must be commenced within one (1) year from the date of the Auction or when the cause of arbitration accrued, whichever first occurs, or it will be forever barred. The right of arbitration shall accrue, and the one-year (1) limitation period shall begin to run, from the date the breach, damage, or injury is sustained and not when discovered.

ARTICLE XXI – BINDING EFFECT

This Sale Contract shall be binding upon the parties and their agents, assigns, attorneys, beneficiaries, brokers, directors, distributees, employees, executors, heirs, legatees, members, officers, representatives, shareholders, and successors in interest.

ARTICLE XXII – CHOICE OF LAW, JURISDICTION, AND VENUE

This Sale Contract, the transaction contemplated, and all related dealings of the parties shall be exclusively construed and governed in accordance with the laws of the Commonwealth of Virginia, without regard to its conflict of laws principles. The exclusive jurisdiction and venue for any controversy or claim between the parties shall be the County of Albemarle in the Commonwealth of Virginia.

ARTICLE XXIII – SEVERABILITY, HEADINGS, PRONOUNS, AND CONSTRUCTION

If any clause or provision of this Sale Contract is held illegal, invalid, or unenforceable, it is the parties' intention that the remainder of this Sale Contract shall not be affected and, in lieu of such clause or provision that is held illegal, invalid, or unenforceable, there shall be added, as a part of this Sale Contract, a clause or provision as similar in term and effect as such illegal, invalid, or unenforceable clause or provision as may be possible, legal, valid, and enforceable. Article headings are for reference only and not intended to expand or restrict the scope or substance of the provisions of this Sale Contract. Any reference herein to an Article heading includes all relevant sections, subsections, and paragraphs within that Article. Words used in the present tense also include the past and future tense, as the context requires. Wherever used in this Sale Contract, the singular shall include the plural, the plural shall include the singular, and pronouns shall be read as masculine, feminine or neuter, as the context requires. The parties agree that this Sale Contract have been mutually agreed upon by them and no legal inference, presumption, principle, or other rule of draftsmanship or construction shall be used in favor of or against either of them.

ARTICLE XXIV – MISCELLANEOUS

Buyer certifies to be of legal age and have full capacity and competence to understand, enter into, execute, and deliver this Sale Contract. If Buyer is purchasing the Property on behalf of an arm of government or business entity (i.e., corporation, limited liability company, etc.) ("artificial person"), Buyer shall be personally liable under this Sale Contract until such time as the artificial person presents Seller with acceptable, written evidence of the artificial person's good standing in its state of formation, plus a duly-passed and executed resolution or similar written authority from its board of directors or other governing authority that authorizes the purchase of the Property and agrees for the artificial person to be bound by this Sale Contract. This Sale Contract may be signed in multiple counterparts and each shall be an original of this Sale Contract, with all counterparts constituting a single instrument. A facsimile signature shall be considered as valid as an original signature. This Sale Contract and the incorporated Terms of Auction contain the entire undertaking between the parties regarding the Auction, the transaction contemplated, and all related dealings of the parties, and there are no oral or written agreements, inducements, promises, representations, or warranties other than those expressly set forth. This Sale Contract supersedes any previous agreement, negotiation, or understanding between the parties regarding the transaction contemplated, and such have been merged here and shall not survive execution of this Sale Contract. No deletion, modification, supplement, or waiver of any term of this Sale Contract shall be effective unless made in writing and executed by the parties with the same formality as this Sale Contract. The failure of either party to insist upon the strict performance of any term of this Sale Contract shall not be construed as a waiver of any subsequent default of the same or similar nature. Each party had the opportunity to seek the independent advice of legal counsel of its choosing and each has either done so or has voluntarily decided to forgo such advice, with full understanding of the risk involved in this course with regard to the Property, Auction, Sale Contract, and this sale. Each party acknowledges that it has received and read the Terms of Auction and this Sale Contract in their entirety, understands and fully accepts all of the terms contained, and has received an executed copy of this Sale Contract. In addition to any other attachments, exhibits, or other documents or materials referenced herein, the following Attachments are attached hereto and incorporated herein by reference:

- Attachment I – Agency Disclosure
- Attachment II – Seller's Residential Property Disclosure Statement (as applicable)
- Attachment III – Lead Base Paint Disclosure and Booklet (as applicable)
- Attachment IV – Legal Description of Property
- Attachment V – Property Specific Disclosures
- Parcel Addendum – Addendum for each Auction Tract governed by this Contract

ARTICLE XXV – TIME OF THE ESSENCE

Time is of the essence of this Sale Contract. Each party shall fully perform all respective obligations herein at such times as to ensure that closing occurs on the date specified, or any mutually agreed-upon extension of that date.

ARTICLE XXVI – SURVIVAL

Except for those terms and provisions relating to disclaimers, waivers, and indemnifications, all of which survive Closing and delivery of the deed, the terms and conditions of this Sale Contract shall be deemed merged into the deed transferring title from the Seller to the Buyer.

ARTICLE XXVII – NOTICE AS TO MECHANICS LIEN ISSUES

Virginia law (§ 43-1 et seq.) permits persons who have performed labor or furnished materials for the construction, removal, repair or improvement of any building or structure to file a lien against the property. This lien may be filed at any time after the work is commenced or the material is furnished, but not later than the earlier of (i) 90 days from the last day of the month in which the lien or last performed work or furnished materials or (ii) 90 days from the time the construction, removal, repair or improvement is terminated. AN EFFECTIVE LIEN FOR WORK PERFORMED PRIOR TO THE DATE OF SETTLEMENT MAY BE FILED AFTER SETTLEMENT, provided that Seller will deliver an affidavit to the title company insuring Buyer's title for the purpose of assurances against mechanics' lien arising out of Seller's failure to pay for work on the Property which was contracted for by Seller during its period of ownership. LEGAL COUNSEL SHOULD BE CONSULTED.

IN WITNESS WHEREOF, the parties being duly authorized and empowered have agreed to the terms herein and executed this Sale Contract intending to be legally bound.

ADDRESS:

SELLER: GRAND CRU PROPERTIES, LLC

By: Farm Credit of the Virginias, ACA, its Manager

Signature By: _____

Print Name _____

Its _____

BUYER:

Signature _____

Print Name _____

Social Security No. _____

Federal Tax ID No. _____

Phone No. (Work) _____

(Home) _____

ADDRESS:

BUYER:

Signature _____

Print Name _____

Social Security No. _____

Federal Tax ID No. _____

Phone No. (Work) _____

(Home) _____

ADDRESS:

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J. P. King Auction Company, Inc.

Exhibit A

Part 3

TRACT 1
ADDENDUM TO SALE CONTRACT

This Addendum is attached to and forms a part of the Real Property Sale Contract dated April 7, 2011 pertaining to the purchase by the undersigned Buyer at Auction of Tract 1. Each Tract has a separate Addendum, and some of the terms vary depending on the number and configuration of parcels being acquired by Buyer under the Contract.

1. **Conservation Easement.** Buyer acknowledges that Tract 1 is subject to the terms of, and that title to Tract 1 will be conveyed to Buyer subject to the terms the conservation easement granted to the Virginia Outdoors Foundation of record in the Office of the Clerk of the Circuit Court of Albemarle County, Virginia, in Deed Book 2890 at page 682 (the "Conservation Easement").

Except for the preceding sentence, which applies irregardless, this paragraph shall be without legal effect if Buyer is acquiring both Tract 1 and Tract 3, such that title to both Tract 1 and Tract 3 will be held by Buyer after Closing. In all other circumstances, the following applies. The conveyance of Tract 1 to Buyer constitutes the one permitted division of the easement property under the terms of the Conservation Easement, and Tract 1 may not be further divided under the terms of the Conservation Easement. The deed conveying Tract 1 to Buyer will allocate one residential dwelling right under the Conservation Easement to Tract No. 1, meaning that only one residential dwelling may be built on Tract 1 under the terms of the Conservation Easement, which dwelling may not exceed 2500 square feet of livable space, along with non-residential outbuildings commonly and appropriately incidental thereto. The rights under the Conservation Easement to construct farm and winery buildings will be designated to Tract 3, and no such rights will be assigned or reserved to Tract 1.

2. **Improvements and Personal Property.** Tract 1 is unimproved land, and no improvements or personal property are included in this sale.

3. **Sexual Offender Disclosure.** Buyer should exercise whatever due diligence Buyer deems necessary with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2. This information may be obtained by contacting the local police department, the Department of State Police, Central Criminal Records Exchange, at (804) 674-2000, or from the Internet at the Virginia State Police Sex Offender and Crimes Against Minors Registry Home Page.

ACKNOWLEDGED AND AGREED BY BUYER AS PART OF THE SALE CONTRACT:

278776

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TRACT 1
LEGAL DESCRIPTION

Albemarle County TMP 102-39:

All that certain lot or parcel of land situated in the County of Albemarle, Virginia, containing 94.260 acres, more or less, shown on a plat by M. M. Van Doren, Surveyor, dated February 16, 1932, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 515, page 328.

TRACT 2
ADDENDUM TO SALE CONTRACT

This Addendum is attached to and forms a part of the Real Property Sale Contract dated April 7, 2011 pertaining to the purchase by the undersigned Buyer at Auction of Tract 2. Each Tract has a separate Addendum, and some of the terms vary depending on the number and configuration of parcels being acquired by Buyer under the Contract.

1. **Improvements and Personal Property.** Tract 2 is unimproved land, and no improvements or personal property are included in this sale.

2. **Sexual Offender Disclosure.** Buyer should exercise whatever due diligence Buyer deems necessary with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2. This information may be obtained by contacting the local police department, the Department of State Police, Central Criminal Records Exchange, at (804) 674-2000, or from the Internet at the Virginia State Police Sex Offender and Crimes Against Minors Registry Home Page.

ACKNOWLEDGED AND AGREED BY BUYER AS PART OF THE SALE CONTRACT:

278776

TRACT 2
LEGAL DESCRIPTION

Albemarle County TMP 102-37:

All that certain lot or parcel of land situated in Albemarle County, Virginia containing 21.6830 acres, more or less, shown as PARCEL ONE on a plat made by Kirk Hughes & Associates dated ____, 2011, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book __, pages ____.

TRACT 3
ADDENDUM TO SALE CONTRACT

This Addendum is attached to and forms a part of the Real Property Sale Contract dated April 7, 2011 pertaining to the purchase by the undersigned Buyer at Auction of Tract 3. Each Tract has a separate Addendum, and some of the terms vary depending on the number and configuration of parcels being acquired by Buyer under the Contract.

1. **Conservation Easement.** Buyer acknowledges that Tract 3 is subject to the terms of, and that title to Tract 3 will be conveyed to Buyer subject to the terms the conservation easement granted to the Virginia Outdoors Foundation of record in the Office of the Clerk of the Circuit Court of Albemarle County, Virginia, in Deed Book 2890 at page 682 (the "Conservation Easement").

Except for the preceding sentence, which applies irregardless, this paragraph shall be without legal effect if Buyer is acquiring both Tract 1 and Tract 3, such that title to both Tract 1 and Tract 3 will be held by Buyer after Closing. In all other circumstances, the following applies. The conveyance of Tract 3 to Buyer constitutes the one permitted division of the easement property under the terms of the Conservation Easement, and Tract 3 may not be further divided under the terms of the Conservation Easement. The deed conveying Tract 3 to Buyer will allocate two residential dwelling rights under the Conservation Easement to Tract No. 3, and prior to Closing, Seller will demolish one of the three existing cottages at Seller's expense to ensure that the property is compliant at Closing. The rights under the Conservation Easement to construct farm and winery buildings will be designated to Tract 3 in the deed, and no such rights will be assigned or reserved to Tract 1, which is also subject to the conservation easement and will be allocated one dwelling right in the deed of conveyance of that parcel.

Buyer acknowledges that even though Tract 3 includes two separate tax parcels, it is conveyed and considered to be one single parcel under the conservation easement and so the two tax parcels comprising Tract 3 must be owned, held and conveyed together and cannot be separated from one another.

2. **Improvements and Personal Property.** Tract 3 will be conveyed with all improvements and fixtures on such Tract 3, and the following items of personal property to the extent located on the Property on the date of the Auction: (a) all appliances in two cottages (but excluding all appliances, fixtures, and property in the third cottage to be demolished as herein provided and all property owned by tenant(s)), (b) all grapes, harvested grapes, fertilizer and other supplies used or produced in the farming and winery operation and located on the Property on the date of this Contract, excluding the bulk wine and bottled wine inventory of Seller and excluding items used in the ordinary course of Seller's business between the date of Contract and the date of Closing, and (c) all crops grown, growing or planted on the Property, including all vines, vineyards and grapes.

3. Excluded Items. The following items are expressly excluded from the Property and agreed to be outside the scope or effect of this Contract:

- (a) all wine inventory (bottled and bulk) of Seller, even if located on the Property;
- (b) all rolling stock and motor vehicles, even if located on the Property, and all parts and accessories thereto;
- (c) all barrels, filled or empty;
- (d) all picking/harvest baskets and barrels;
- (e) the tanks and other equipment which are described on the Schedule of Excluded Items attached hereto and made a part hereof and which will be sold at auction on April 8, 2011;
- (f) the following items which are not owned by Seller and which will be sold at auction on April 8, 2011: (i) the tanks and other equipment which are subject to the UCC Financing Statement filed with the Virginia State Corporation Commission as 0612077065-4 in favor of US Automotive Leasing Services, Inc., and (ii) bottling equipment described on Prospero Equipment Corporation Invoice No. 9532239-IN dated June 7, 2007 attached to the UCC Financing Statement filed with the Virginia State Corporation Commission as 0707237096-4 in favor of US Automotive Leasing Services, Inc.;
- (g) all labels and all intellectual property, trademarks, tradenames, trade dress, recipes, brand names, service marks, label designs, bottle designs, trade secrets, recipes, and brands owned by Seller.

Buyer acknowledges having carefully reviewed the list of excluded items, and acknowledges and agrees that the Property to be conveyed under this Contract excludes substantial personal property, equipment and fixtures that are situated at the Property on the date of Auction.

4. Maintenance and Care. The Property contains growing vineyards, which are sold "AS IS" and as to which Seller has no responsibility for the conditions existing or occurring after the date of this Contract. Seller has no liability for damage from frost, insect, deer, pestilence or other cause. Between the date of this Contract and the date of Closing, Seller will be undertaking only the following limited activities pertaining to care of the vineyards on the Property to the extent such activities have not already been completed prior to the date of Contract: (a) unmounting and desuckering around the graft on the young vines as determined by Seller in its sole discretion, (b) customary and reasonable weed control under the row, herbicide or in-row cultivation, (c) partial de-suckering as determined by Seller in its sole discretion, (d) putting up first set of catch-wires as determined by Seller in its sole discretion. In addition, if Seller determines and only if Seller determines in its sole discretion that it is advisable under best

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management practices, Seller will conduct no more than two spraying passes for the prevention of disease and insect infestation. Seller undertakes no other obligations, and shall not be liable or responsible for any harm or damage to the vineyards arising from acts of God or any other cause, including but not limited to the failure of Seller to undertake any activity other than those expressly listed above, all of which will be undertaken in keeping with the discretionary decisions and management of Seller with no guarantees or warranties to Buyer. If Buyer desires that additional activities or protections be undertaken, such bidder should discuss its desires with Seller to negotiate additional services for a fee. Seller has no liability to Buyer for any failure to perform any care or maintenance other than the activities listed above, which will be performed in a good and workmanlike manner but which are not guaranteed to preserve and protect the vineyards, vines or grapes from loss, damage or waste.

5. Licenses Not Included. Buyer acknowledges and agrees that operation of a winery or farm winery, and the manufacture, sale, and/or distribution of wine or other alcoholic beverages are heavily regulated industries requiring licensure from governmental agencies at federal, state and local levels, and that none of the licenses required to operate the Property as a winery or farm winery, including without limitation the ability to sell or distribute alcoholic beverages, are being transferred to Buyer by virtue of this Contract. BUYER ASSUMES SOLE RESPONSIBILITY AND LIABILITY RELATING TO THE ACQUISITION OF LICENSES REQUIRED BY BUYER UNDER ANY APPLICABLE LAW IN RELATION TO (i) OPERATION OF THE PROPERTY AS A WINERY OR FARM WINERY, OR (ii) THE SALE OF ANY WINE TO ANY PERSON OR ENTITY, OR (iii) THE PRODUCTION, SALE OR DISTRIBUTION OF ANY WINE OR THE USE OF ANY LABEL IN VIRGINIA OR ANY OTHER STATE.

6. Sexual Offender Disclosure. Buyer should exercise whatever due diligence Buyer deems necessary with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2. This information may be obtained by contacting the local police department, the Department of State Police, Central Criminal Records Exchange, at (804) 674-2000, or from the Internet at the Virginia State Police Sex Offender and Crimes Against Minors Registry Home Page.

7. Residential Property Disclosure/Disclaimer. The Virginia Residential Property Disclosure Act (Section 55-517 through 55-525 of the Code of Virginia) requires the Seller of certain residential property to furnish the Buyer the **Residential Property Disclosure Statement**, which is attached hereto.

8. Tenants in Possession. One of the cottages on the Property is tenant occupied, and is being conveyed subject to the existing tenancy. The tenant(s) are entitled to 90 days prior written notice of termination as required under the Protecting Tenants at Foreclosure Act. The tenant is a current employee of the vineyard operations and pays no rent to Seller. Personal property of tenants situated in each home will not be conveyed with the Property.

9. Choice of Settlement Agent. Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia provides that the purchaser or borrower has the right to select the

settlement agent to handle the closing of this transaction. The settlement agent's role in closing this transaction involves the coordination of numerous administrative and clerical functions relating to the collection of documents and the collection and disbursement of funds required to carry out the terms of the contract between the parties. If part of the purchase price is financed, the lender for the purchaser will instruct the settlement agent as to the signing and recording of loan documents and the disbursement of loan proceeds. No settlement agent can provide legal advice to any party to the transaction except a settlement agent who is engaged in the private practice of law in Virginia and who has been retained or engaged by a party to the transaction for the purpose of providing legal services to that party.

Variation by agreement: The provisions of Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia may not be varied by agreement, and rights conferred by this chapter may not be waived. The seller may not require the use of a particular settlement agent as a condition of the sale of the property.

Escrow, closing, and settlement service guidelines: The Virginia State Bar issues guidelines to help settlement agents avoid and prevent the unauthorized practice of law in connection with furnishing escrow, settlement or closing services. As a party to a real estate transaction, the purchaser or borrower is entitled to receive a copy of these guidelines from his settlement agent, upon request, in accordance with the provisions of Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia.

10. Virginia Property Owners' Association Act. Seller represents that the Property is not located within a development which is subject to the Virginia Property Owners' Association Act.

11. Virginia Condominium Act. Seller represents that the Property is not a condominium unit.

ACKNOWLEDGED AND AGREED BY BUYER AS PART OF THE SALE CONTRACT:

278776

TRACT 3
LEGAL DESCRIPTION

TMP 102-35B:

All that certain lot or parcel of land situated in Albemarle County, Virginia containing 129.6832 acres, more or less, shown on a plat made by Kirk Hughes & Associates dated ____, 2011, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book __, pages ____.

And

TMP 102-37P:

All that certain lot or parcel of land lying on State Route 727 in Albemarle County, Virginia, being more particularly described as Lot 9, containing 2.022 acres, on plat of Blenwood Subdivision, by R. O. Snow and Associates, C.L.S., dated May 23, 1975, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 577, page 378.

TRACT 5
ADDENDUM TO SALE CONTRACT

This Addendum is attached to and forms a part of the Real Property Sale Contract dated April 7, 2011 pertaining to the purchase by the undersigned Buyer at Auction of Tract 5. Each Tract has a separate Addendum, and some of the terms vary depending on the number and configuration of parcels being acquired by Buyer under the Contract.

1. **Improvements and Personal Property.** Tract 5 will be conveyed with all improvements and fixtures on such Tract 5, and the following items of personal property to the extent located on the Property on the date of the Auction: (a) all appliances and trade fixtures within the building known as the "Farm Shop", and (b) all furniture within the building on Tract 5 on the date of this Contract.

2. **Excluded Items.** The following items are expressly excluded from the Property and agreed to be outside the scope or effect of this Contract:

- (a) all wine inventory (bottled and bulk) of Seller, even if located on the Property;
- (b) all rolling stock and motor vehicles, even if located on the Property, and all parts and accessories thereto;
- (c) all barrels, filled or empty;
- (d) all labels and all intellectual property, trademarks, tradenames, trade dress, recipes, brand names, service marks, label designs, bottle designs, trade secrets, recipes, and brands owned by Seller. Buyer acknowledges that existing signs and designations for the "Kluge Estate" farm shop use trademarks that are not conveyed with this sale, and that Buyer will not be authorized to use such trademarks or designations.

Buyer acknowledges having carefully reviewed the list of excluded items, and acknowledges and agrees that the Property to be conveyed under this Contract may exclude substantial personal property and equipment that are situated at the Property on the date of Auction.

3. **Licenses Not Included.** Buyer acknowledges and agrees that the sale, and/or distribution of wine or other alcoholic beverages are heavily regulated industries requiring licensure from governmental agencies at federal, state and local levels, and that none of the licenses required to operate the Property as it has historically been operated as part of a winery or farm winery, including without limitation the ability to sell or distribute alcoholic beverages, are being transferred to Buyer by virtue of this Contract. **BUYER ASSUMES SOLE RESPONSIBILITY AND LIABILITY RELATING TO THE ACQUISITION OF LICENSES REQUIRED BY BUYER UNDER ANY APPLICABLE LAW AND EXPRESSLY ACKNOWLEDGES THAT**

THE CURRENT ZONING OF THE PROPERTY (RURAL AREAS) DOES NOT PERMIT OPERATION OF THE BUILDING ON TRACT 5 AS A COMMERCIAL ENTERPRISE OTHER THAN AS A "TASTING ROOM AND FARM SHOP" FORMING PART OF A LARGER FARM WINERY OPERATIONS TO THE EXTENT AUTHORIZED BY STATE LAW AND LOCAL ZONING.

4. **Closing Date.** Seller may specify the Closing Date under this Contract to coincide with the closing date on the sale of the vineyard parcels (but not later than thirty (30) days post auction), even if Buyer desires to close earlier, in order to facilitate continued sale of inventory by Seller through the Farm Shop for the entire period of Seller's ownership of the vineyard parcels. If Buyer is acquiring one or more of the vineyard parcels, then this closing must occur simultaneously with the closing of those purchases.

5. **Choice of Settlement Agent.** Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia provides that the purchaser or borrower has the right to select the settlement agent to handle the closing of this transaction. The settlement agent's role in closing this transaction involves the coordination of numerous administrative and clerical functions relating to the collection of documents and the collection and disbursement of funds required to carry out the terms of the contract between the parties. If part of the purchase price is financed, the lender for the purchaser will instruct the settlement agent as to the signing and recording of loan documents and the disbursement of loan proceeds. No settlement agent can provide legal advice to any party to the transaction except a settlement agent who is engaged in the private practice of law in Virginia and who has been retained or engaged by a party to the transaction for the purpose of providing legal services to that party.

Variation by agreement: The provisions of Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia may not be varied by agreement, and rights conferred by this chapter may not be waived. The seller may not require the use of a particular settlement agent as a condition of the sale of the property.

Escrow, closing, and settlement service guidelines: The Virginia State Bar issues guidelines to help settlement agents avoid and prevent the unauthorized practice of law in connection with furnishing escrow, settlement or closing services. As a party to a real estate transaction, the purchaser or borrower is entitled to receive a copy of these guidelines from his settlement agent, upon request, in accordance with the provisions of Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia.

ACKNOWLEDGED AND AGREED BY BUYER AS PART OF THE SALE CONTRACT:

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TRACT 5
LEGAL DESCRIPTION

TMP 103-10A:

All that certain lot or parcel of land situated in Albemarle County, Virginia containing 6.2353 acres, more or less, shown as PARCEL TWO on a plat made by Kirk Hughes & Associates dated ____, 2011, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book __, pages ____.

TRACT 6
ADDENDUM TO SALE CONTRACT

This Addendum is attached to and forms a part of the Real Property Sale Contract dated April 7, 2011 pertaining to the purchase by the undersigned Buyer at Auction of Tract 6. Each Tract has a separate Addendum, and some of the terms vary depending on the number and configuration of parcels being acquired by Buyer under the Contract.

1. **Conservation Easement.** Buyer acknowledges that Tract 6 is subject to the terms of, and that title to Tract 6 will be conveyed to Buyer subject to the terms the conservation easement granted to the Virginia Outdoors Foundation of record in the Office of the Clerk of the Circuit Court of Albemarle County, Virginia, in Deed Book 3113 at page 275. **Buyer acknowledges that even though Tract 6 includes multiple separate tax parcels, it is conveyed and considered to be one single parcel under the conservation easement and is subject to division restrictions under the terms of the conservation easement.**

2. **Improvements and Personal Property.** Tract 6 will be conveyed with all improvements and fixtures on such Tract 6, and the following items of personal property to the extent located on the Property on the date of this Contract: (a) all appliances in the residential dwellings on the Property cottages (but excluding all property owned by tenant(s)), (b) all grapes, harvested grapes, fertilizer and other supplies used or produced in the farming and winery operation and located on Tract 6 on the date of this Contract, excluding the bulk wine and bottled wine inventory of Seller and excluding items used in the ordinary course of Seller's business between the date of Contract and the date of Closing, and (c) all crops grown, growing or planted on the Property, including all vines, vineyards and grapes. In addition, Tract 6 will convey with certain basic office equipment, computers and office furniture located in the winery office located on Tract 6, without warranty or guaranty as to quantity or quality.

3. **Tirage.** The Property includes approximately 26,500 cases of tirage (i.e., sparkling wine work in process), provided that conveyance of the tirage to Buyer is conditioned upon Buyer holding all licenses required to allow lawful conveyance of the tirage to Buyer at Closing and if Buyer has not met this condition within twenty days after the date of this Contract then, at the sole option of Seller, the tirage shall be excluded from this Contract and may be sold by Seller to any third party who is so licensed. If the tirage is conveyed to Buyer, the tirage will be conveyed together with the riddling cages and racks in which the tirage currently sits, but no other riddling equipment is included therewith.

4. **Excluded Items.** The following items are expressly excluded from the Property and agreed to be outside the scope or effect of this Contract:

(a) all wine inventory (bottled and bulk) of Seller, even if located on the Property;

(b) all rolling stock and motor vehicles, even if located on the Property, and all parts and accessories thereto;

- (c) all barrels, filled or empty;
- (d) all picking/harvest baskets and barrels;
- (e) the tanks and other equipment which are described on the Schedule of Excluded Items attached hereto and made a part hereof and which will be sold at auction on April 8, 2011;
- (f) the following items which are not owned by Seller and which will be sold at auction on April 8, 2011: (i) the tanks and other equipment which are subject to the UCC Financing Statement filed with the Virginia State Corporation Commission as 0612077065-4 in favor of US Automotive Leasing Services, Inc., and (ii) bottling equipment described on Prospero Equipment Corporation Invoice No. 9532239-IN dated June 7, 2007 attached to the UCC Financing Statement filed with the Virginia State Corporation Commission as 0707237096-4 in favor of US Automotive Leasing Services, Inc.;
- (g) all labels and all intellectual property, trademarks, tradenames, trade dress, recipes, brand names, service marks, label designs, bottle designs, trade secrets, recipes, and brands owned by Seller; and
- (h) Within the former carriage museum on Tract 6 is a large, green glass sculpture being the penultimate work of Suzanne Pascal known as "Seated Torso" (Circa 1993) (the "Statue"). The Statue is not owned by Seller, and is excluded from the sale. Tract 6 remains subject to the right of the owner of the Statue, or of Farm Credit of the Virginias, ACA, as secured party holding a lien on the Statue, to access the Property to inspect, repair, appraise and remove the Statue in accordance with their respective legal rights, subject to repair of any damage caused by such activities, and will be conveyed subject to such rights.

Buyer acknowledges having carefully reviewed the list of excluded items, and acknowledges and agrees that the Property to be conveyed under this Contract excludes substantial personal property, equipment and fixtures that are situated at the Property on the date of Auction.

4. Maintenance and Care. The Property contains growing vineyards, which are sold "AS IS" and as to which Seller has no responsibility for the conditions existing or occurring after the date of this Contract. Seller has no liability for damage from frost, insect, deer, pestilence or other cause. Between the date of this Contract and the date of Closing, Seller will be undertaking only the following limited activities pertaining to care of the vineyards on the Property to the extent such activities have not already been completed prior to the date of Contract: (a) unmounting and desuckering around the graft on the young vines as determined by Seller in its sole discretion, (b) customary and reasonable weed control under the row, herbicide or in-row cultivation, (c) partial de-suckering as determined by Seller in its sole discretion, (d) putting up first set of catch-wires as determined by Seller in its sole discretion. In addition, if Seller

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determines and only if Seller determines in its sole discretion that it is advisable under best management practices, Seller will conduct no more than two spraying passes for the prevention of disease and insect infestation. Seller undertakes no other obligations, and shall not be liable or responsible for any harm or damage to the vineyards arising from acts of God or any other cause, including but not limited to the failure of Seller to undertake any activity other than those expressly listed above, all of which will be undertaken in keeping with the discretionary decisions and management of Seller with no guarantees or warranties to Buyer. If Buyer desires that additional activities or protections be undertaken, such bidder should discuss its desires with Seller to negotiate additional services for a fee. Seller has no liability to Buyer for any failure to perform any care or maintenance other than the activities listed above, which will be performed in a good and workmanlike manner but which are not guaranteed to preserve and protect the vineyards, vines or grapes from loss, damage or waste.

5. Licenses Not Included. Buyer acknowledges and agrees that operation of a winery or farm winery, and the manufacture, sale, and/or distribution of wine or other alcoholic beverages are heavily regulated industries requiring licensure from governmental agencies at federal, state and local levels, and that none of the licenses required to operate the Property as a winery or farm winery, including without limitation the ability to sell or distribute alcoholic beverages, are being transferred to Buyer by virtue of this Contract. BUYER ASSUMES SOLE RESPONSIBILITY AND LIABILITY RELATING TO THE ACQUISITION OF LICENSES REQUIRED BY BUYER UNDER ANY APPLICABLE LAW IN RELATION TO (i) OPERATION OF THE PROPERTY AS A WINERY OR FARM WINERY, OR (ii) THE SALE OF ANY WINE TO ANY PERSON OR ENTITY, OR (iii) THE PRODUCTION, SALE OR DISTRIBUTION OF ANY WINE OR THE USE OF ANY LABEL IN VIRGINIA OR ANY OTHER STATE.

6. Sexual Offender Disclosure. Buyer should exercise whatever due diligence Buyer deems necessary with respect to information on any sexual offenders registered under Chapter 23 (§ 19.2-387 et seq.) of Title 19.2. This information may be obtained by contacting the local police department, the Department of State Police, Central Criminal Records Exchange, at (804) 674-2000, or from the Internet at the Virginia State Police Sex Offender and Crimes Against Minors Registry Home Page.

7. Residential Property Disclosure/Disclaimer. The Virginia Residential Property Disclosure Act (Section 55-517 through 55-525 of the Code of Virginia) requires the Seller of certain residential property to furnish the Buyer the **Residential Property Disclosure Statement**, which is attached hereto.

8. Tenants in Possession. The residential dwellings on the Property are currently tenant occupied, and are being conveyed subject to the existing tenancies. The tenants are entitled to 90 days prior written notice of termination as required under the Protecting Tenants at Foreclosure Act. The tenants are current or former employees of the vineyard operations and pay no rent to Seller. Personal property of tenants situated in each home will not be conveyed with the Property.

9. **Choice of Settlement Agent.** Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia provides that the purchaser or borrower has the right to select the settlement agent to handle the closing of this transaction. The settlement agent's role in closing this transaction involves the coordination of numerous administrative and clerical functions relating to the collection of documents and the collection and disbursement of funds required to carry out the terms of the contract between the parties. If part of the purchase price is financed, the lender for the purchaser will instruct the settlement agent as to the signing and recording of loan documents and the disbursement of loan proceeds. No settlement agent can provide legal advice to any party to the transaction except a settlement agent who is engaged in the private practice of law in Virginia and who has been retained or engaged by a party to the transaction for the purpose of providing legal services to that party.

Variation by agreement: The provisions of Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia may not be varied by agreement, and rights conferred by this chapter may not be waived. The seller may not require the use of a particular settlement agent as a condition of the sale of the property.

Escrow, closing, and settlement service guidelines: The Virginia State Bar issues guidelines to help settlement agents avoid and prevent the unauthorized practice of law in connection with furnishing escrow, settlement or closing services. As a party to a real estate transaction, the purchaser or borrower is entitled to receive a copy of these guidelines from his settlement agent, upon request, in accordance with the provisions of Chapter 27.3 (§ 55-525.16 et seq.) of Title 55 of the Code of Virginia.

10. **Virginia Property Owners' Association Act.** Seller represents that the Property is not located within a development which is subject to the Virginia Property Owners' Association Act.

11. **Virginia Condominium Act.** Seller represents that the Property is not a condominium unit.

ACKNOWLEDGED AND AGREED BY BUYER AS PART OF THE SALE CONTRACT:

279902

TRACT 6
LEGAL DESCRIPTION

TMP 103-1:

All that certain tract or parcel of land situated in Albemarle County, Virginia, containing 144.41 acres, more or less, shown as TMP 103-1, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 2894, page 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road," currently known as Ellerslie Drive, as shown on a plat recorded in Deed Book 398, page 555.

And

TMP 103-1B:

All that certain tract or parcel of land situated in Albemarle County, Virginia, containing 85.65 acres, more or less, more particularly described as NEW T.M. 103-1B, on a plat by Gloeckner Engineering/Surveying, Inc., dated May 16, 2005, revised November 10, 2005, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 3117, pages 171 through 174.

And

TMP 102-35A:

All that certain parcel of tract of land situated in Albemarle County, Virginia, containing 81.10 acres, more or less, shown as NEW T.M. 102-35A on a plat by Gloeckner Engineering/Surveying, Inc. dated May 16, 2005, revised November 10, 2005, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 3117, pages 171 through 174; TOGETHER WITH a non-exclusive easement for ingress and egress over 30' right of way easement as shown and set forth on plat recorded in Deed Book 3117, pages 171 through 174.

And

TMP 103-1C:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 1.41 acres, more or less, shown as TMP 103-1C, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 2894, pages 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road," currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

And

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TMP 103-1E:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 327.73 acres, more or less, shown as TMP 103-1E, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 2894, pages 649 and 650, together with and including 0.05 acres and 0.79 acres, more or less, shown as Parcel B and Parcel E, respectively, but less and except a 0.58 acre correction as shown on a plat by Gloeckner Engineering/Surveying, Inc. dated May 16, 2005, revised November 10, 2005, and recorded in the aforesaid Clerk's Office in Deed Book 3117, pages 171 through 174; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road," currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

And

TMP 103-1F:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 3.01 acres, more or less, shown as TMP 103-1F, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia in Deed Book 2894, pages 649 and 650, TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road," currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

And

TMP 103-1G:

All that certain lot or parcel of land situated in Albemarle County, Virginia, containing 4.14 acres, more or less, shown as TMP 103-1G, on a plat by Gloeckner Engineering/Surveying, Inc., dated October 15, 2004, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 2894, pages 649 and 650; TOGETHER WITH a non-exclusive easement for ingress and egress over 50' "Private Road," currently known as Ellerslie Drive, as shown on plat recorded in Deed Book 398, page 555.

J. P. KING AUCTION COMPANY, INC.

PROPERTY-SPECIFIC DISCLOSURES

FOR

REAL PROPERTY SALE CONTRACT

AND

TERMS OF AUCTION

KLUGE ESTATE WINERY
THURSDAY, APRIL 7, 2011 AT 1:00 P.M. (ET)

CHARLOTTESVILLE, VA

Correction to our Advertising: Early advertisements indicated that the Property would be offered in six (6) tracts. Tracts No. 3 and 4 were combined as one tract (Tract No. 3). The Property will only be offered in five (5) total tracts and that of the entirety as shown on the Auction Inventory.

DISCLAIMER: Seller and Auctioneer (this term to include Broker) do not, here or otherwise, attempt to provide Bidder with all of the information Bidder may need to conduct due diligence or make an informed decision about the Auction and Property ("Property" herein may have either a singular or plural meaning, plus the "Properties" is used in some instances for the plural). Participation in the Auction is at Bidder's sole risk and Seller and Auctioneer, plus their agents, brokers, contractors, employees, and representatives will have no liability whatsoever on any basis. The Property will be offered and sold in "AS IS, WHERE IS" condition with all burdens, circumstances, defects, facts, faults, dangers, hazards, issues, items, material facts, problems, vandalism, and other relevant matters, whether latent or patent, whether past, present, or future, and whether or not referenced herein, which affect, involve, or relate in any way to the Property ("Property Issues"). The disclosures that follow are made to Bidders to assist them in performing their due diligence, but this list is not represented to be complete or correct and there may be other Property Issues affecting, involving, or related in some way to the Property. Bidders should govern themselves accordingly.

Participation in the Auction is at Bidders' sole risk and Seller and Auctioneer, plus their agents, contractors, and employees, will have no liability on any basis whatsoever. All Properties will be offered and sold in "AS IS, WHERE IS" condition with all Property Issues then existing.

TO THE FULLEST EXTENT ALLOWED BY LAW, SELLER AND AUCTIONEER UNCONDITIONALLY DISCLAIM ANY GUARANTEE, REPRESENTATION, OR WARRANTY OF EVERY KIND, WHETHER EXPRESSED, IMPLIED, OR STATUTORY, WHETHER ORAL OR WRITTEN, WHETHER PAST, PRESENT, OR FUTURE, WITH RESPECT TO ALL PROPERTY ISSUES, EXCEPT AS EXPRESSLY PROVIDED IN: (a) THE *TERMS OF AUCTION*, and (b) THE *REAL PROPERTY SALE CONTRACT*. WITHOUT LIMITATION, SELLER AND AUCTIONEER

EXPRESSLY DISCLAIM ANY WARRANTIES OF MERCHANTABILITY, HABITABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

Without waiving or modifying the above disclaimer in any way or degree, Seller and Auctioneer disclose the following information which relates to the specific Properties identified. Seller and Auctioneer emphasize that there may be other Property Issues affecting any one or more of these identified Properties and this is not an all-inclusive list of such matters to be relied upon by Bidders.

EXCEPT AS EXPRESSLY STATED BELOW, SELLER WILL TAKE NO ACTION TO ADDRESS, CURE, FIX, REMEDY, REPAIR, OR SOLVE ANY PROPERTY ISSUES DISCLOSED.

DISCLAIMER: This package is merely a bulletin and is solely intended to provide interested parties with preliminary information only. The information included in this package is believed to be correct, but it is not guaranteed and is not necessarily correct. Some of the information furnished is from outside sources deemed to be reliable, but is not certified as accurate by the Seller.

All of the information contained herein is subject to corrections, errors and omissions, etc. All purchase offers must be based on purchaser's own investigation of any Property made available for purchase and not on any representations made by any party. Seller makes no representation nor warranty, express or implied, with respect to any of the Property(ies) made available for purchase; every Property is being sold in an AS IS, WHERE IS CONDITION, WITH ALL FAULTS, if any.

This Statement shall not constitute an offer to sell or a solicitation of an offer to buy any of the Properties referenced herein. In addition and without limitation of the foregoing, there shall not be any sales of any of the Properties in any state in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the applicable security laws of that state.

Mold Disclosure: Mold is a naturally occurring microbe that can pose a health risk to people in certain circumstances, and particularly where there concentrated, high levels exist in a living environment. If the Bidder/Purchaser is concerned or desires additional information, Bidder/Purchaser should consult an appropriate professional. Seller, Broker and the Auction Company specifically make no representations, guarantees, or warranties of any kind whatsoever regarding the present condition of the Property or improvements on the Property, the future condition of the Property or improvements on the Property, or anything regarding mold, mildew and the remediation process. Seller, Broker and the Auction Company fully and unconditionally disclaim any liability whatsoever for any action, arbitration, claim, cost, damage, deficiency, expense, loss, suit, or other demand of any kind related to the Property, these conditions, damages, problems, the remediation process, and all related issues.

Patriot Act Representation: Seller and Purchaser each represent to the other that: (1) their property interests are not blocked by Executive Order No. 13224, 66 Fed. Reg. 49079; (2) it is not a person listed on the Specialty Designated Nationals and Blocked Persons list of the Office of Foreign Assets Control of the United States Department of the Treasury; and (3) it is not acting for or on behalf of any person on that list.

Property Tax Disclosure Summary: Purchaser should not rely on Seller's current property tax assessment on the Property as being indicative of the amount of tax that will be owed on the Property in the future. A change of ownership or improvement of the Property may trigger a tax reassessment for the Property and could result in higher taxes being assessed to Purchaser. If you have any question concerning valuation or taxation of the Property, you should immediately contact the municipal treasurer's office for further information.

Utility Services: Purchaser shall be exclusively responsible for obtaining any and all permits for the installation or continuation of utility services to the Property itself and paying all costs related to such installation or continuation.

Soil Percolation, Utilities, Suitability, Permits, Etc.: Buyer is solely responsible for doing all due diligence needed or desired for the Property. No soil percolation test has been done on the Property and none will be done prior to its sale, so the percolation characteristics of the Property's soil are unknown. Buyer is solely responsible for investigating the availability and/or accessibility for all utilities to serve the Property, as well as the practicality and suitability for building or construction of any kind on the Property. Additionally, Buyer will be solely responsible for obtaining and paying for any and all permits for septic systems and all other items related to the Property and any building, construction, or improvements thereon. Buyer will also be solely responsible for obtaining and paying the costs for all permits and other fees, tanks, meters, lines, and other needs relative to the Property. Seller and Auctioneer specifically make no representation, guarantee, or warranty of any kind regarding any matter addressed in this paragraph and Buyer solely assumes all risk and costs for each of these matters.

Personal Property: No personal property, including, but not limited to, wine, equipment, and trademarks, will be conveyed with the real estate, except that tirage (sparkling wine work in process as more particularly described in the Sale Contract and announced on the day of Auction) and the associated trademark for sparkling wine of Kluge Estate Winery (as described in the Sale Contract) will be offered for sale with Tract No. 6, provided that conveyance of the tirage will be conditioned upon the successful bidder holding all licenses required to allow lawful conveyance of the tirage to such bidder as of the closing date.

Within the former carriage museum on Tract No. 6 is a large, green glass sculpture being the penultimate work of Suzanne Pascal known as "Seated Torso" (Circa 1993) (the "Statue"). The Statue is not owned by Seller, and is excluded from the Auction. Tract No. 6 remains subject to the right of the owner of the Statue, or of Farm Credit of the Virginias, ACA, as secured party holding a lien on the Statue, to access the Property to inspect, repair, appraise and remove the Statue in accordance with their respective legal rights, subject to repair of any damage caused by such activities.

Survey & Sales Map: A boundary survey was completed on the property by Kirk Hughes & Associates. A sales map for the individual tracts was also completed by the same firm. A legal description has been provided on each individual tract.

Conservation Easement: Tract Nos. 1, 3, and 6 are selling subject to the conservation easement as outlined in the title commitment for such respective parcels. The sale of Tract No. 1 and Tract No. 3 will result in the one permitted division of such tracts under the terms of the conservation easement, and neither Tract No. 1 nor Tract No. 3 may be further divided under the terms of the conservation easement. If Tract No. 1 and Tract No. 3 are acquired by different buyers at Auction, then (a) one residential dwelling right under the conservation easement will be allocated to Tract No. 1, and (b) two residential dwelling rights under the conservation easement will be allocated to Tract No. 3, and (c) one of the three existing cottages on Tract No. 3 (the cottage which is boarded up and is situated on Tax Parcel 103-37P) will be demolished prior to closing, leaving two existing cottages intact on Tract No. 3.

Tenants: One of the homes on Tract #3 and all of the homes on Tract #6 are tenant occupied. These Properties/Tracts are selling subject to any existing lease agreement between Seller and Tenant. Tenants of these homes are entitled to 90 days prior written notice of termination as required under the Protecting Tenants at Foreclosure Act. Seller has provided notice of termination to some, but not all, of

these tenants, most of whom are current employees of the vineyard operations and pay no rent to Seller. Personal property situated in each home will not be conveyed with the real estate.

Licenses/Permits: Existing licenses and/or permits will not be conveyed with any of the real estate. Buyer will be required to apply for any and all licenses or permits as required by the city, county, state or federal government for continued operation of any of the existing businesses, including but not limited to any licenses pertaining to the production, marketing or sale of wine or operation as a farm winery.

Post-Auction Activities. Tracts Nos. 3 and 6 contain growing vineyards, which are sold "AS IS" on the date of Auction and as to which Seller has no responsibility for the conditions existing or occurring after the date of Auction. Seller has no liability for damage from frost, insect, deer, pestilence or other cause. Between the Auction and the date of closing, Seller will be undertaking only the following limited activities pertaining to care of the vineyards on the Property to the extent such activities have not already been completed prior to the date of auction: (a) unmounting and desuckering around the graft on the young vines as determined by Seller in its sole discretion, (b) customary and reasonable weed control under the row, herbicide or in-row cultivation, (c) partial de-suckering as determined by Seller in its sole discretion, (d) putting up first set of catch-wires as determined by Seller in its sole discretion. In addition, if Seller determines and only if Seller determines in its sole discretion that it is advisable under best management practices, Seller will conduct no more than two spraying passes for the prevention of disease and insect infestation. Seller undertakes no other obligations, and shall not be liable or responsible for any harm or damage to the vineyards arising from acts of God or any other cause, including but not limited to the failure of Seller to undertake any activity other than those expressly listed above, all of which will be undertaken in keeping with the discretionary decisions and management of Seller with no guarantees or warranties to Buyer. If the successful bidder desires that additional activities or protections be undertaken, such bidder should discuss its desires with Seller to negotiate additional services for a fee.

Seller will provide to the successful bidder of Tract No. 3 and/or 6 with a list of current employees of Seller who actively participate in operation or management of the winery and vineyard operations. Seller does not assure that all or any of such employees will be available for employment by any buyer.



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PREMIER AUCTIONS: KLUGE ESTATES WINERY

Log In/Join (Email Address)

AUCTION SUMMARY

Charlottesville, VA
 Thursday, April 7, 2011
 Auction Time: 1:00 PM (ET)
 Property Type: Agricultural

PROPERTY INFORMATION

Property Information Package

Terms

Sales Contract

Auction Contract Addendum- Parcel 1

Auction Contract Addendum- Parcel 2

Auction Contract Addendum- Parcel 3

Auction Contract Addendum- Parcel 5

Auction Contract Addendum- Parcel 6

Property Specific Disclosures

Buyer's Incentive Form

Cooperating Broker Form

Inventory

Lead Base Disclosure

Title Commitment

Online Bidding Procedures

ONLINE MEDIA

Brochure

www.VirginiaWine.org

Aerial Map

Google Earth (Download)

CONTACT DETAILS

Phone: 1-800-558-5464
 Fax: 800-707-4204
 Email: auctioninfo@jpking.com

Selling Absolute! 901+/- acre estate offered in five tracts. Lender Acquired Property

Home to one of the most prestigious wineries along the East Coast, Kluge Estate Winery is located near the birthplace of American and Virginian viticulture, Thomas Jefferson's Monticello. This prestigious locale, surrounded by some of the nation's most exclusive residences, encompasses the beauty of the Virginia countryside with scenic views and majestic, natural landscape.

Kluge Estate Winery is within the Monticello AVA in the central Piedmont area and has excellent natural conditions receiving 211 growing days during season. Planted with ten varieties of grape, the soil quality and orientation of the vines at Kluge Estate have been carefully managed to produce an assortment of world-class still and sparkling wines including Bordeaux, Cabernet Sauvignon, Merlot, Cabernet Franc, and Chardonnay, as well as a trio of food-friendly wines known as the Albemarle brand.

In addition to 164+/- acres currently under vine, there are 60+/- acres of clear land that has ideal slope and elevation for future planting. The vineyards and rolling green hills provide an enchanting backdrop to the picturesque setting of this estate which also offers wooded residential tracts wonderfully suited for residential development, recreational use, or timber.

TRACT BREAKDOWNS

Tract 1

Spectacular 94+/- acre wooded, residential tract ideal for constructing a country home. The property has access to Carter's Mountain Road can also be dedicated to timber or recreational use.

Tract 2

With frontage on Carter's Mountain Road, this 21+/- acre property can be subdivided into 5 tracts for residential development. The tract is adjacent to the original planted vineyard on tract 3.

Tract 3

Planted in '99-'00, this 131.7+/- acres tract contains the original vineyard as well as the winery production building, 2 BQVIBA cottages, a barrel cave that can hold approximately 500 barrels, and a modular office. The winery production building is constructed with metal exterior and exposed beam ceilings.

Tract 5

Situated on 6+/- acres, the tract has an exquisite farm shop and tasting room with a full-sized kitchen that is ideal for a variety of uses.

Tract 6

This sprawling 647+/- acre tract has planted vines, event pavilion, large office barn, a carriage museum, and three cottages ideal for staff or guest accommodations. Within this gorgeous property, there are acres of planted vines and 60+/- acres of clear land that has ideal slope and elevation for future planting. Adorned with rolling hills and breathtaking views, this tract is truly amazing.

Sparkling Wine and the Sparkling wine trademark will convey with Tract 6
 Cru and Cru's trademark will also convey with tract 6.

The historic town of Charlottesville is bordered by the Blue Ridge Mountains and Rivanna River. A desirable weekend destination of Northern Virginia and the metro DC areas, Charlottesville offers year round recreational opportunities and close proximity to attractions such as Shenandoah National Park, Appalachian Trail and Skyline Drive. Known for Civil War battlefields, Monticello and James Monroe's estate, Ash Lawn, Charlottesville is a charming and scenic locale and home to the University of Virginia.

PHOTO GALLERY ABOUT THE TRACT

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Premier Homes
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 Auction Method vs Ordinary Sale
 What to Expect at a J. P. King Event
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Sales Opportunities
 Corporate Opportunities

AUCTION REGISTRATION

AUCTION REGISTRATION

Registration begins at 11:30 A.M. (ET). To register to bid at the auction, the following registration fee(s) will be required:

Register to Bid Onsite

\$250,000.00 Tract #6 or entirety, \$100,000.00 Tract #3; \$10,000.00 Per #1, #2 or #5 (each)

Register to Bid Online

Registration fees must be presented in certified funds only and must be made payable to the bidder

SALE SITE

The sale begins at 1:00 P.M. (ET). The Auction will take place on site at the Event Pavilion, located at 100 Grand Cru Drive, Charlottesville, VA 22902.

DIRECTIONS TO PROPERTY

From Charlottesville: Travel south on Monticello Ave (VA-20). Turn left onto Thomas Jefferson Parkway (VA-53) and travel 3.2 miles. Turn right onto James Monroe Parkway (County Rd. 795) and travel 2.6 miles. James Monroe Parkway turns into Carters Mountain Road. Continue for 1.7 miles. Turn right into the property at 100 Grand Cru Drive.

PROPERTY PREVIEW

An auction representative will be available beginning March 24th through April 6th from 10:00 A.M. until 5:00 P.M. daily. Tours of the property will be by appointment only. You may contact the J. P. King auction representative directly at 256.504.3178 during these designated dates to schedule your personal tour.

For your personal Helicopter Tour please call HeloAir to schedule your appointment at 888.359.4356.

BUYER'S PREMIUM

A ten-percent (10%) Buyer's Premium will be added to the winning bid price to arrive at the total contract price paid by the Buyer.

FARM & WINERY EQUIPMENT AUCTION

Please contact Harry Davis Company at www.harrydavis.com or 412.765.1170 for a complete list of inventory including equipment, wine and trademarks.

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Exhibit B

LOAN AGREEMENT

THIS LOAN AGREEMENT (this "**Agreement**") made and entered into as of the 27th day of April, 2007, is by and between **KLUGE ESTATE WINERY AND VINEYARD, L.L.C.**, a Virginia corporation, having its principal place of business at 100 Grand Cru Drive, Charlottesville, Virginia 22902 ("**Borrower**"), and **FARM CREDIT OF THE VIRGINIAS, ACA**, a federally chartered corporation, as agent/nominee, together with its successors and assigns, having its place of business at 106 Sangers Lane, Staunton, Virginia 24401 ("**Lender**").

RECITALS

A. Borrower has requested that Lender make three loans to Borrower, as follows: (a) term loan in the maximum principal amount of \$22,000,000.00, or if less the amount necessary to refinance the Existing Loans as herein defined, (b) non-revolving line of credit in the maximum principal amount of \$5,000,000.00, and (c) revolving line of credit in the maximum principal amount of \$6,000,000.00.

B. Lender is willing to make the Loans available to Borrower subject to the terms and conditions set forth in this Agreement.

AGREEMENT

In consideration of the mutual covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree and acknowledge as follows:

ARTICLE 1

DEFINED TERMS AND RULES OF CONSTRUCTION

1.1 Definitions. As used in this Agreement, the following terms will have the following meanings:

"**Accounts Payable**" means trade payables incurred by Borrower in the ordinary course of its business, including without limitation all trade payables to Affiliates.

"**Advance**" means any advance of any of the Loans and any funds expended with respect to any of the Loans that are reimbursable or otherwise payable by Borrower under this Agreement or any other Loan Document.

"**Affiliate**" means as to any Person, each other Person who or that, directly or indirectly (through one or more intermediaries or otherwise), is in control of, is controlled by, or is under common control with, such Person. For purposes of the Loan Documents, any Person that is controlled by or majority owned by any Guarantor or any spouse, sibling, or child of any

Guarantor, or any group in combination thereof, shall be deemed an Affiliate of Borrower, including without limitation, O.V. Distributors, LLC.

For purposes of this definition, the term "control" (and the correlative terms, "controlling", "controlled by" and "under common control with") shall mean (i) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies, whether through ownership of securities or other interests, by contract or otherwise, of a Person, or (ii) the beneficial or record ownership (as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended, as the same is in effect on the date hereof), directly or indirectly through one or more intermediaries, of ten percent (10%) or more of any class of the outstanding voting stock, securities or other equity or ownership interests of a Person.

"Borrowing Base" has the meaning given to that term in Section 3.4 below.

"Business Day" means any day on which Lender is open for business.

"Collateral" means all tangible or intangible, real or personal property now or at any time hereafter owned by Borrower or securing the Loans, and all proceeds and products thereof.

"Commitment Letter" means the letter from Lender to Borrower, dated April 3, 2007, as accepted by Borrower and Guarantors, in which Borrower was advised that Lender had approved Borrower's financing request for the Loans and summarizing the terms and conditions on which the Loans would be made.

"Current Assets" means the Tangible Assets of Borrower treated as current assets in accordance with GAAP, excluding any accounts receivable from any member of Borrower; officer, employee or manager of Borrower; Guarantor; subsidiary of Borrower or Affiliate of Borrower. Notwithstanding the foregoing, accounts receivable of O.V. Distributors, LLC due to Borrower which otherwise constitute Eligible Accounts Receivable as herein defined and which constitute current assets in accordance with GAAP shall be included up to a cap of \$100,000.00.

"Current Liabilities" means the liabilities of Borrower treated as current liabilities in accordance with GAAP, plus the outstanding balance of the Revolving Line of Credit and any other revolving line of credit regardless of its term.

"Current Ratio" means the ratio of Current Assets to Current Liabilities.

"Debt" means total liabilities of Borrower, including without limitation indebtedness for borrowed money (whether such liability is direct or contingent as primary obligor, guarantor, endorser or otherwise), capitalized leases, and all reserves for deferred taxes and other deferred sums appearing on the liabilities side of a balance sheet in accordance with GAAP.

"Debt Service Coverage Ratio" means the ratio of the following, all determined in accordance with GAAP: (a) EBITDA, plus Cost of Goods sold as stated in Borrower's income statement, less Cost of Production (capitalized production costs), to (b) interest expense for Borrower plus the prior period current portion of long-term debt principal payments, earn out payments, capital lease payments and redemption payments plus all other payments of principal, interest and other amounts if the failure to pay such amounts would have a material adverse impact on Borrower or its operations, calculated in each case on the basis of the four fiscal quarters immediately preceding the date of calculation.

"Deed of Trust" means that certain Credit Line Deed of Trust effective as of the date hereof, executed by Borrower to the trustees therein named for the benefit of Lender.

"EBITDA" means earnings before interest expense, income taxes, depreciation and amortization expense for Borrower, determined in accordance with GAAP.

"Eligible Accounts" means accounts receivable owing to Borrower (excluding sales or other taxes, finance charges and late payment charges) from a third party not more than sixty (60) days from the date of original invoice arising in the ordinary course of Borrower's business and that meet all of the following eligibility requirements:

(a) the sale of goods or services reflected in an eligible account receivable must be lawful and final with payment due and owing, such goods or services having been provided or delivered by Borrower and accepted by the account debtor,

(b) the invoices comprising an eligible account receivable must not be subject to any claims, returns or disputes of any kind,

(c) the account debtor of an eligible account receivable must be solvent (Borrower having no notice that the account debtor is in bankruptcy, insolvent or in financial distress), must not be a Sanctioned Person or Sanctioned Country, and must have its executive office in the United States of America (all foreign accounts being ineligible),

(d) the account debtor must be satisfactory to Lender and must not be an Affiliate, subsidiary or supplier of Borrower (provided that otherwise eligible accounts receivable from O.V. Distributors, LLC shall be included up to a cap of \$100,000.00),

(e) an eligible account receivable must not be exposed to risk of set-off, credit, allowance, adjustment or discount (excluding only discount for prompt payment),

(f) the account debtor of an eligible account receivable must not owe more than fifteen percent (15%) of its outstanding invoices which are more than ninety (90) days from the original date of invoice,

(g) the account must not be evidenced by chattel paper nor by any promissory note or deferred purchase instrument, other than invoices, shipping documents and delivery receipts, and shall not have been reduced to judgment;

(h) eligible accounts receivable from a single account debtor shall not constitute more than twenty-five percent (25%) of Eligible Accounts, and any account receivable from a single account debtor which exceeds such percentage shall not be eligible unless approved by Lender in its discretion;

(i) an eligible account receivable must be subject to the first-priority, perfected security interest of Lender, and free from any other lien or claim of lien or prior assignment or creation of other security interest, attachment, levy, garnishment or judicial process; and

(j) any account that Lender in its reasonable discretion deems ineligible shall be excluded from Eligible Accounts.

“Eligible Bottled Wine Inventory” means Eligible Inventory of bottled wine that is either fermenting for sale or ready for sale in the ordinary course of Borrower’s business. To be “eligible bottled wine inventory”, an item of inventory must not be obsolete or soured, spoiled or otherwise unmerchantable, and must be subject to a first priority, perfected security interest in favor of Lender, and free from any other lien or claim of lien.

“Eligible Bulk Wine Inventory” means Eligible Inventory of raw and fermented grape juice in barrels or vats or other containers customarily used in the wine-making process. To be “eligible bulk wine inventory”, an item of inventory must not be obsolete or spoiled or otherwise unlikely to develop into Eligible Bottled Wine Inventory upon further processing, and must be subject to a first priority, perfected security interest in favor of Lender, and free from any other lien or claim of lien.

“Eligible Inventory” means inventory of raw material and finished goods owned by and in the possession of Borrower and being held by Borrower for use or sale in the ordinary course of its business, including but not limited to Eligible Bulk Wine Inventory and Eligible Bottled Wine Inventory. To be “eligible inventory,” an item of inventory must be merchantable, must not be obsolete and must be subject to a first priority, perfected security interest in favor of Lender, and free from any other lien or claim of lien. Eligible Inventory shall exclude inventory which:

(a) is not at all times subject to a duly perfected, first priority (and only) security interest in favor of Lender;

(b) is not in good and saleable condition;

(c) is on consignment from, or subject to, any repurchase agreement with any supplier;

- (d) constitutes returned, repossessed, damaged, defective, obsolete, or slow-moving goods as determined by Lender;
- (e) does not conform in all respects to the warranties and representations set forth in the Loan Documents in respect of Collateral generally;
- (f) is subject to a negotiable document of title (unless issued or endorsed to Lender);
- (g) constitutes inventory-in-transit;
- (h) is located at a location other than the Real Property unless Lender approves upon receipt of such written agreements and acknowledgements from the third party as Lender requires in its discretion;
- (i) consists of any packaging materials, supplies or promotional materials;
- (j) has been returned to, or repossessed by, Borrower, or
- (k) which Lender otherwise in its sole and absolute discretion deems to not be Eligible Inventory.

"Environmental Indemnity Agreement" means the environmental indemnity agreement of even date herewith executed and delivered by Borrower and Guarantors.

"Environmental Laws" means federal, state, or local environmental laws or regulations governing the presence, storage, use, transfer, transport, disposal, release or threatened release of regulated substances, including but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. § 9601 *et seq.*; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 1101 *et seq.*; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.*; the Hazardous Materials Transportation Act of 1974, 49 U.S.C. § 1801 *et seq.*; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.*; the Clean Air Act, 42 U.S.C. § 4701 *et seq.*; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 *et seq.*; the Safe Drinking Water Act, 42 U.S.C. § 3001 *et seq.*; the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 *et seq.*; and any laws regulating the use of biological agents or substances, including medical or infectious wastes, each as amended or supplemented, and any analogous future or present federal, state, and local statutes, regulations, and ordinances promulgated pursuant thereto which may be applicable.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Existing Loans" means the existing loans to Borrower from (a) RBC Centura Commercial Bank evidenced by promissory notes 101 and 102 with an estimated payoff of approximately \$10,000,000, and (b) Fortress Financial of America, N.A., with an estimated

payoff of \$12,500,000. The Existing Loans are to be refinanced by the Term Loan, up to its maximum principal amount of \$22,000,000.

"Flood Hazard Certificate" means the completed standard flood hazard determination form required by federal flood insurance statutes to evidence whether or not the Real Property, or any part thereof, is located in an area having special flood hazards as designated by the Director of the Federal Emergency Management Agency.

"GAAP" means generally accepted accounting principles consistent with those used in the preparation of the financial statements referred to in Section 6.2(a)(i) or otherwise approved by Lender in its discretion.

"Guarantor" means Patricia M. Kluge and William J. Moses, jointly and severally.

"Guaranty Agreements" means the Guaranty and Subordination Agreements of even date herewith executed by Guarantors, and all modifications and extensions thereof and all substitutions therefor.

"Legal Requirements" means all applicable federal, state, county or local laws, rules, regulations, codes, permits and ordinances, and the requirements, orders and directives of any governmental agency or authority having or claiming jurisdiction with respect thereto, including without limitation those applicable to zoning, health, safety, and environmental matters. Legal Requirements includes, without limitation, the terms and conditions of all conservation and open-space easements of record with respect to the Real Property.

"Life Insurance Policy" means each of the following policies maintained by the Borrower for its benefit and naming Borrower as beneficiary thereof: (a) the \$5,000,000.00 key-man life insurance policy maintained by Borrower with Transamerica Occidental Life on the life of William J. Moses, being Policy No. TS10NI, and (b) the \$10,000,000.00 key-man life insurance policy maintained by Borrower with Hartford Life Annuity and Insurance Company on the life of Patricia Kluge, being Policy No. LT1843353.

"Loan Documents" means the Notes, this Loan Agreement, the Guaranty Agreements, the Deed of Trust, the Security Agreements, Environmental Indemnity Agreement, the Pledge Agreements and all other documents, instruments, or agreements executed to further evidence or secure the Loans, and any refinancings, renewals, amendments, extensions or modifications thereof or substitutions therefor.

"Loans" means the Term Loan, the Revolving Line of Credit, and the Non-Revolving Line of Credit.

"Material Agreement" shall mean any contract or other arrangement, whether written or oral, to which Borrower or any of its Affiliates is a party as to which the breach,

nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect.

"Material Adverse Effect" means any (i) material adverse effect upon the validity, performance or enforceability of any of the Loan Documents or any of the transactions contemplated hereby or thereby, (ii) material adverse effect upon the properties, business, prospects or condition (financial or otherwise) of Borrower and/or any other Person obligated under any of the Loan Documents, (iii) material adverse effect upon the ability of Borrower or any other Person to fulfill any obligation under any of the Loan Documents, or (iv) material adverse effect on Borrower's business operations or the Collateral or its value or marketability.

"Maximum Revolver Availability" has the meaning given to that term in Section 3.1 below.

"Non-Revolving Line of Credit" means the non-revolving line of credit established by Lender for the benefit of Borrower in the maximum principal amount of Five Million Dollars (\$5,000,000.00), subject to limitations as provided in this Agreement.

"Non-Revolver Note" means the promissory note of even date herewith made by Borrower and payable to the order of Lender in the maximum principal amount of Five Million Dollars (\$5,000,000.00), and all modifications, renewals and extensions thereof and all substitutions therefor.

"Notes" means the Term Loan Note, the Revolver Note, and the Non-Revolver Note.

"Obligations" means (a) all amounts due under the Notes and the other Loan Documents, including without limitation all principal, interest, and other charges and amounts payable thereunder, (b) all of Borrower's or either Guarantor's other present and future obligations to Lender, (c) the repayment of (i) any amounts that Lender may advance or spend for the maintenance or preservation of the Collateral and/or the Real Property and (ii) any other expenditures that Lender may make under the provisions of the Loan Documents for the benefit of Borrower or Guarantors, (d) all amounts owed under any modifications, renewals or extensions of any of the foregoing obligations, (e) all other amounts now or in the future owed by Borrower or either Guarantor to Lender, and (f) any of the foregoing that arises after the filing of a petition by or against Borrower or either Guarantor under the Bankruptcy Code, even if the obligations do not accrue because of the automatic stay under Bankruptcy Code §362 or otherwise.

"OFAC" means the United States Department of the Treasury's Office of Foreign Assets Control or any successor thereto.

"Permitted Title Exceptions" means permitted title exceptions, if any, more particularly described on Schedule B-II to the title insurance policy (referenced in Section 5.6 below) that have been reviewed and permitted by Lender and its counsel.

"Person" means an individual, partnership, corporation, association, limited liability company, business trust, joint stock company, trust or trustee thereof, unincorporated association, joint venture, governmental unit or any agency or subdivision thereof, or any other legally recognizable entity.

"Pledge Agreement" means the Collateral Assignment of Life Insurance Policy of even date herewith executed by Borrower and Guarantors, creating in favor of Lender a first-priority lien on the proceeds of each Life Insurance Policy, together with the acknowledgement of the insurer to such security interest of Lender.

"Real Property" means (a) the real estate of 909 acres, more or less, owned by Borrower in Albemarle County, Virginia, as more particularly described in the Deed of Trust, and all appurtenances thereto and fixtures thereon and (b) the leasehold estate of Borrower in and to the Leased Property as described and defined in the Deed of Trust.

"Revolving Line of Credit" means the revolving line of credit established by Lender for the benefit of Borrower in the maximum principal amount of Six Million Dollars (\$6,000,000.00), subject to limitations as provided in this Agreement including but not limited to Borrowing Base limitations on availability.

"Revolver Note" means the promissory note of even date herewith made by Borrower and payable to the order of Lender in the maximum principal amount of Six Million Dollars (\$6,000,000.00), and all modifications, renewals and extensions thereof and all substitutions therefor.

"Sanctioned Country" means a country subject to the sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html> or as otherwise published from time to time.

"Sanctioned Person" means (i) a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at <http://www.treas.gov/offices/eotffc/ofac/sdn/index.html> or as otherwise published from time to time, or (ii) (A) an agency of the government of a Sanctioned Country, (B) an organization controlled by a Sanctioned Country, or (C) a Person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

"Security Agreements" means (a) the Security Agreement of even date herewith executed by Borrower pledging the tangible and intangible personal property and fixtures of Borrower, (b) the Intellectual Property Security Agreement of even date herewith executed by Borrower and pledging its trademarks, copyrights and other intellectual property assets, (c) the Assignment of Leases, Rents and Profits of even date herewith executed by Borrower for the benefit of Lender with respect to the rents and profits from the Real Property, (d) Patent and Trademark Office filings with respect to perfection of Lender's lien with respect to any of the

foregoing, and (e) Uniform Commercial Code financing statements filed with respect to any of the foregoing.

"Tangible Assets" means total assets, determined in accordance with GAAP, excluding, however, all assets which would be classified as intangible assets under GAAP, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

"Term Loan" means the refinance loan made by Lender to Borrower in the maximum principal amount of Twenty-Two Million Dollars (\$22,000,000.00), or if less the principal amount necessary to refinance the principal balance of the Existing Loans.

"Term Loan Note" means the promissory note of even date herewith made by Borrower and payable to the order of Lender in the maximum principal amount of Twenty-Two Million Dollars (\$22,000,000.00), and all modifications, renewals and extensions thereof and all substitutions therefor.

1.2 UCC. Any term defined in the Uniform Commercial Code that is not otherwise defined in this Agreement shall have the meaning given to the term in the Uniform Commercial Code as now in effect in the Commonwealth of Virginia.

1.3 Plural. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the opposite.

1.4 Accounting Terms. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent compiled financial statements of the Borrower delivered to the Lenders. If there is a change in accounting principles from those used in the preparation of the financial statements of Borrower delivered to Lender pursuant to the terms of this Agreement as a result of the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board or Accounting Principles Board of the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions), and such change affects the method of calculation of financial covenants, standards or terms found in this Agreement, the parties agree to amend the covenants, terms or standards contained in this Agreement to equitably reflect such change in accounting principles with the desired result that the criteria for evaluating Borrower's financial condition shall be the same after such change as it was before such change. If the parties cannot agree on such an amendment as contemplated by the preceding sentence, then the financial covenants shall be computed and determined without giving effect to such change in accounting principles.

ARTICLE 2
THE TERM LOAN

2.1 Term Loan. Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, Lender agrees to loan to Borrower an aggregate principal amount not to exceed the lesser of (a) Twenty-Two Million Dollars (\$22,000,000.00), or (b) the outstanding balance of principal and accrued but unpaid interest of the Existing Loans as of the closing date of the Loans. The Term Loan is evidenced by the Term Loan Note.

2.2 Payment Terms. The Term Loan shall accrue interest on the unpaid principal amount at the fixed rate per annum set forth in the Term Loan Note. The Term Loan shall be payable in monthly payments of interest only for the first thirty-six (36) months of its term, and shall thereafter be payable in monthly payments principal and interest based on a thirty (30) year amortization as set forth in the Term Loan Note. The Term Loan Note shall mature eight (8) years after the date of the Term Loan Note, at which time all principal and accrued but unpaid interest shall be due and payable in full. The Term Loan may be prepaid at any time without penalty or premium.

2.3 Use of Term Loan Proceeds. The proceeds of the Term Loan shall be used to pay in full the obligations of Borrower with respect to the Existing Loans.

ARTICLE 3
REVOLVING LINE OF CREDIT

3.1 Revolving Line of Credit. Subject to the terms and conditions in this Agreement and the other Loan Documents, Lender agrees to establish for the benefit of Borrower from the effective date of this Agreement and for a period of thirty-six (36) calendar months after the date of the Revolver Note, a revolving line of credit and to make advances to Borrower thereunder in an amount not to exceed the lesser of (a) the Borrowing Base, or (b) Four Million Dollars (\$4,000,000.00) at any one time outstanding ("**Maximum Revolver Availability**"). As additional capital is invested in Borrower, Maximum Revolver Availability shall increase on a quarterly basis and within a reasonable time after Lender's receipt of Borrower's quarterly financial statements as herein required, as follows: (i) Maximum Revolver Availability shall increase to Four Million Five Hundred Thousand Dollars (\$4,500,000.00) (or if less, the Borrowing Base) upon the post-closing investment of additional capital equal to Eight Hundred Thousand Dollars (\$800,000.00), and (ii) once such increase has been made based on such additional \$800,000.00 capital investment, Maximum Revolver Availability shall increase by One Dollar (\$1.00) for each additional One Dollar (\$1.00) of additional capital invested into Borrower in excess of such \$800,000.00, up to a ceiling on Maximum Revolver Availability of Six Million Dollars (\$6,000,000.00) (or if less, the Borrowing Base). The Revolving Line of Credit is evidenced by the Revolver Note. Within the limits of the Revolver Note and this Agreement, Borrower may borrow, prepay and reborrow under the Revolving Line of Credit.

3.2 Method of Advance. Each Advance under the Revolving Line of Credit must be requested in writing by authorized officer, employee or agent of Borrower, including the delivery of the Borrowing Base Certificate supporting such request. All requests for Advances shall specify the amount of the Advance requested and the date on which the Advance is requested to be made. A properly requested Advance will be made, subject to the terms and conditions in this Agreement, on the first business day that is at least 48 hours after Lender's receipt of the request for Advance or if later, the date requested for such Advance. Advances will be made in immediately available funds by deposit into an account maintained by Borrower. Each Advance will be evidenced by a notation on Lender's records, which shall be conclusive evidence of such Advance.

Each request for an Advance under the Revolver Note shall be deemed a representation, warranty and certification to Lender that the amount of the Advance is available for borrowing in accordance with the terms of the Loan Documents (including without limitation, Borrowing Base limitations and Maximum Revolver Availability), that all conditions precedent to such Advance have been satisfied, that Borrower is in compliance with all of the terms and conditions of this Loan Agreement and the other Loan Documents, and that no Event of Default then exists.

3.3 Lender Advances. Borrower authorizes Lender to disburse out of the proceeds of the Revolving Line of Credit all fees and costs for which Borrower is responsible, including but not limited to fees of Lender's counsel, and any and all other fees, costs and expenses reasonably related to the Loans at closing or pursuant to the terms of the Loan Documents.

3.4 Borrowing Base. No Advance of the Revolving Line of Credit will be made or permitted if, immediately after such requested Advance, the aggregate amount of the Revolving Line of Credit outstanding after such requested Advance would exceed the Borrowing Base or the Maximum Revolver Availability, whichever is less. For purposes of this Agreement, the term "**Borrowing Base**" means the sum obtained by adding (a) Fifty percent (50%) of Eligible Bulk Wine Inventory, plus (b) Sixty-five percent (65%) of Eligible Bottled Wine Inventory, plus Seventy-five percent (75%) of Eligible Accounts Receivable, less Accounts Payable of Borrower. For purposes of the Borrowing Base calculation, the value of Eligible Bulk Wine Inventory and Eligible Bottled Wine Inventory shall be calculated based on the Free on Board value as of the end of the most recent fiscal 12-month year, by varietals, as applied to the inventory on hand at the time of the Borrowing Base calculation. The making of any Advance is conditioned on the delivery by Borrower to Lender of (i) a complete and certified Borrowing Base Certificate in the form attached as Exhibit A to this Agreement, including certification that Borrower is in compliance with all conditions and covenants of the Loan Documents and that there exists no default or Event of Default at the time of such certification, and (ii) if requested by Lender, endorsement to the title policy insuring Lender's lien and increasing coverage to take into account the amount of the requested Advance..

On or before the tenth day of each calendar month during the term of the Revolver Note in which there is an outstanding balance under the Revolver Note, Borrower shall deliver to Lender a complete and certified Borrowing Base Certificate in the form attached as Exhibit A to this Agreement. If the Borrowing Base Certificate evidences that the current outstanding balance

under the Revolver Note exceeds the lesser of the Borrowing Base as so certified or the Maximum Revolver Availability, Borrower shall immediately pay to Lender concurrently with the delivery of such Borrowing Base Certificate, the amount necessary to reduce the outstanding balance of the Revolving Line of Credit to comply with the limitations of the Borrowing Base and Maximum Revolver Availability.

3.5 Payment Terms. The Revolving Line of Credit shall accrue interest on the unpaid principal amount outstanding from time to time at the variable rate per annum set forth in the Revolver Note. The Revolving Line of Credit shall be payable in monthly payments of accrued interest only as set forth in the Revolver Note, and shall mature three (3) years after the date of the Revolver Note, at which time all outstanding principal and accrued but unpaid interest shall be due and payable in full. The Revolving Line of Credit may be prepaid at any time without penalty or premium.

3.6 Use of Revolving Line of Credit Proceeds. Borrower shall use and apply all Advances of the Revolving Line of Credit made by Lender to Borrower solely for Borrower's working capital in the ordinary course of its business and for no other purpose.

3.7 Renewal of Revolving Line of Credit Note. The term of the Line of Credit may be renewed by the Lender at its sole option for additional periods of time, which renewal may be conditioned on payment of a fee. If Lender opts to extend the Revolving Line of Credit, the Revolver Note as so extended shall remain subject to the terms and limitations in this Agreement and the other Loan Documents and shall be secured by the Deed of Trust, Security Agreements, Pledge Agreements and Guaranty Agreements.

3.8 Unused Availability Fee. Borrower shall pay to Lender an unused availability fee of 30 basis points on a per annum basis assuming a 360-day year, which shall be payable quarterly in arrears based on the unused availability under the Revolving Line of Credit as of the end of each fiscal quarter during the term of such Loan. Unused availability for purposes of calculating such fee shall be determined by subtracting the outstanding principal balance of the Revolving Line of Credit as of the end of the applicable fiscal quarter from the Maximum Revolver Availability as then in effect. The first unused availability fee shall be due and payable on July 1, 2007, as of the end of the fiscal quarter ending June 30, 2007, and prorated equitably if the time period between the date of Loan closing and the end of such fiscal quarter is less than the fiscal quarter.

ARTICLE 4
NON-REVOLVING LINE OF CREDIT

4.1 The Non-Revolving Line of Credit. Subject to the terms and conditions in this Agreement and the other Loan Documents, Lender agrees to establish for the benefit of Borrower from the effective date of this Agreement, a non-revolving line of credit and to make advances to Borrower thereunder in an amount not to exceed Five Million Dollars (\$5,000,000.00). Of such maximum availability, no more than Two Million Five Hundred Thousand Dollars (\$2,500,000.00) will be cumulatively advanced to finance capitalized interest expense under the Loans and as otherwise approved by Lender in its discretion, and no more than Two Million Five Hundred Thousand Dollars (\$2,500,000.00) will be cumulatively advanced to finance capital expenditure requests as herein provided. The Non-Revolving Line of Credit is evidenced by the Non-Revolver Note. The Non-Revolving Line of Credit is not a revolving facility, and amounts which are borrowed and repaid under such facility may not be reborrowed.

4.2 Advances. Advances under the Non-Revolving Line of Credit shall be available only during the first thirty-six (36) months of its term. Each Advance under the Non-Revolving Line of Credit must be requested in writing by authorized officer, employee or agent of Borrower, including the purpose for such Advance. Lender shall not be obligated to make more than one Advance per calendar month. If the purpose of the Advance is to finance a capital expenditure request, the request for such Advance shall be accompanied by the following supporting documentation: (a) certified statement of the purpose of such Advance and that the capital expenditure has been incurred and is included within the capital expenditure budget as approved by Lender, (b) copy of the invoice evidencing such capital expenditure, (c) if applicable, lien waiver of contractors and suppliers, and (d) if requested by Lender, endorsement to the title policy insuring Lender's lien and increasing coverage to take into account the amount of the requested Advance. Advances for capital expenditures are limited to hard costs for capital expenditures identified on the budget approved by Lender, and no Advance is available for soft costs, including costs of installation.

A properly requested Advance will be made, subject to the terms and conditions in this Agreement, on the first business day that is at least 48 hours after Lender's receipt of the request for Advance or if later, the date requested for such Advance. Advances will be made in immediately available funds by deposit into an account maintained by Borrower, or if Lender so elects, by check payable to the invoicing Person. Advances to be applied to interest on the Loans will be made by book transfer on Lender's records. Each Advance will be evidenced by a notation on Lender's records, which shall be conclusive evidence of such Advance.

Each request for an Advance under the Non-Revolver Note shall be deemed a representation, warranty and certification to Lender that the amount of the Advance is available for borrowing in accordance with the terms of the Loan Documents, that all conditions precedent to such Advance have been satisfied, that Borrower is in compliance with all of the terms and conditions of this Loan Agreement and the other Loan Documents, and that no Event of Default then exists.

In addition to all other conditions precedent to funding, the initial draw of the Non-Revolver Line of Credit is subject to, and conditioned upon Lender's receipt and approval of a budget for capital expenditures covering the period from Loan closing to the end of the fiscal year 2007.

4.3 Payment Terms. The Non-Revolver Line of Credit shall accrue interest on the unpaid principal amount outstanding from time to time at the variable rate per annum set forth in the Non-Revolver Note. The Non-Revolver Line of Credit shall be payable in monthly payments of interest only for the first forty-eight (48) months of its term, and shall thereafter be converted to a term loan payable in equal monthly payments of principal plus interest based on a four (4) year amortization as set forth in the Non-Revolver Note. The Non-Revolver Line of Credit shall mature eight (8) years after the date of the Non-Revolver Note, at which time all outstanding principal and accrued but unpaid interest shall be due and payable in full. The Non-Revolver Line of Credit may be prepaid at any time without penalty or premium, provided that if Borrower requests and Lender agrees in its discretion to convert the rate of interest to a fixed rate of interest at the time that the Non-Revolver Line of Credit is converted to a term loan as herein provided, then a prepayment penalty may apply depending upon the terms as may be so agreed.

4.4 Unused Availability Fee. Borrower shall pay to Lender an unused availability fee of 30 basis points on a per annum basis assuming a 360-day year, which shall be payable quarterly in arrears based on the unused availability under the Non-Revolver Line of Credit as of the end of each fiscal quarter during the term of such Loan. Unused availability for purposes of calculating such fee shall be determined by subtracting the outstanding principal balance of the Non-Revolver Line of Credit as of the end of the applicable fiscal quarter from the maximum availability of Five Million Dollars (\$5,000,000.00). The first unused availability fee shall be due and payable on July 1, 2007, as of the end of the fiscal quarter ending June 30, 2007, and prorated equitably if the time period between the date of Loan closing and the end of such fiscal quarter is less than the fiscal quarter.

ARTICLE 5

CONDITIONS PRECEDENT TO FUNDING

The Lender shall not be obligated to Advance the proceeds of any Loan hereunder unless and until all of the following conditions precedent have been satisfied in a manner acceptable to Lender in its sole discretion:

5.1 Loan Fees. Borrower shall pay to Lender, at closing of the Loans (or with Lender's consent, authorize the disbursement of Loan proceeds at Closing to pay to Lender) the following fees: (a) loan placement fee in the amount of Forty-Nine Thousand Five Hundred Dollars (\$49,500.00); (b) all costs and expenses incurred by Lender in connection with the Loans and Loan Documents prior to closing, including but not limited to inspection costs, environmental assessment costs, appraisal fees, inventory assessments, certification fees, search

fees and fees of Lender's legal counsel (which legal counsel fees are subject to a cap of \$35,000.00); and (c) all other fees set forth in the Commitment Letter.

5.2 Satisfactory Loan Documents. Borrower shall have delivered to Lender the Loan Documents, including the Guaranty Agreements, all of which must be satisfactory in form, content and manner of execution and delivery to Lender and its counsel.

5.3 Warranties and Representations Accurate. All warranties and representations made by or on behalf of Borrower and Guarantors to Lender shall be true, accurate and complete in all material respects.

5.4 Financial Statements; No Material Change. Borrower and Guarantors shall have delivered to Lender financial statements of Borrower and Guarantors that are satisfactory in form and substance to Lender, and no material adverse change shall have occurred in the financial condition, business affairs or control of Borrower or either Guarantor since the date of such financial statements. Lender shall have received satisfactory lien searches and certifications indicating that there exist no judgments or judgment liens, bankruptcy or tax liens against Borrower or any Guarantor.

5.5 Validity and Sufficiency of Security Documents. The Deed of Trust, Security Agreements and Pledge Agreements and related Uniform Commercial Code financing statements and security filings shall have been duly delivered to Lender and filed or recorded in the appropriate offices to create valid and perfected liens on the property described therein to the satisfaction of Lender and its counsel. Lender shall have received, in form and substance satisfactory to Lender: (a) the acknowledgment of the insurer evidencing Lender's first-priority security interest in the proceeds of each Life Insurance Policy pledged to Lender pursuant to the Pledge Agreement, and (b) the original of each Life Insurance Policy pledged to Lender pursuant to such Pledge Agreement.

5.6 No Other Liens; Taxes and Municipal Charges Current. Lender shall have received a certified lien search and Eagle-9 policy insuring Lender's UCC liens acceptable to Lender indicating that the Collateral is free from liens or encumbrances, whether inferior or superior to the Loan Documents, except in respect of: (a) personal property taxes not yet due and payable; (b) liens to which Lender has consented in writing; (c) liens relating to the Existing Loans to be released upon refinance of such loans, and (d) liens granted to Lender. All personal property taxes and other municipal charges relating to the Collateral shall be current.

5.7 Title Insurance; Other Evidence of Perfection. Lender shall have received a commitment for a Lender's title insurance policy that insures Lender's first lien position with respect to the Real Property in an insured amount equal to the aggregate principal amounts of the Loans, subject only to the following exceptions: (a) real property taxes not yet due and payable, (b) liens relating to the Existing Loans to be released upon refinance of such loans by the Term Loan, (c) Permitted Title Exceptions, and (d) liens granted to Lender. Such title commitment and any policy issued pursuant thereto must be issued by a nationally recognized title insurance company acceptable to Lender, must delete all standard exceptions including, but not limited to,

the exception relating to mechanics liens, and must include usury, zoning, comprehensive, environmental, future advances, and such other endorsements as Lender requires. There shall be no creditor's rights exception in any such title insurance policies. Lender must receive the final lender's policy of title insurance within ten business days after closing and funding.

Lender shall have no obligation to fund until Lender receives evidence satisfactory to it that the Deed of Trust has been recorded and the Uniform Commercial Code financing statements and other perfection filings have been filed in the appropriate offices to perfect Lender's liens in the Real Property and Collateral to Lender's satisfaction.

5.8 Condition and Value of Collateral. Lender shall have received an appraisal of the Real Property obtained at Borrower's expense and certified by a licensed appraiser acceptable to Lender, which appraisal must be acceptable to, and must indicate a value acceptable to, Lender in its sole discretion. There shall have been no material unrepaired or unrestored damage or destruction by fire or otherwise to the Real Property or any of the Collateral. The Life Insurance Policy shall be and remain in effect, with all premiums timely paid by Borrower. Lender shall have received audits and valuation assessments of the Collateral prior to closing, completed by an independent party or parties selected by Lender, which are in form and content acceptable to Lender in its sole discretion.

5.9 No Takings. No Collateral nor the Real Property, in whole or in part, shall have been taken by eminent domain, nor shall there be any threat of such a taking.

5.10 Insurance. Lender shall have received certificates evidencing the insurance maintained by Borrower in accordance with Section 6.2(j) and (k) of this Agreement and the other Loan Documents, and the naming of Lender as an additional insured/loss payee with respect to such policies.

5.11 Flood Insurance. Lender shall have received an updated Flood Hazard Certificate evidencing that none of the Real Property is situated in a special flood hazard area, or if any of the Real Property is situated in a special flood hazard area, the Lender shall have received evidence that Borrower has obtained federal flood insurance, to the extent such insurance is available, for the full unpaid principal balance of the Loans or the maximum limit of coverage that is available, whichever is less. Borrower will exhibit and deliver copies of such policies to the Lender and provide appropriate clauses in the insurance policies indicating Lender's status as co-insured under the policy as its interest may appear.

5.12 Environmental Assessment and Compliance. Borrower shall provide to Lender, at Borrower's expense, a Phase 1 environmental site assessment (and if so recommended by such assessment, Phase 2 and other assessments or testing) for the Real Property. The results of such assessments must be satisfactory in all respects to Lender in its sole discretion. Borrower shall provide evidence, satisfactory to Lender, of Borrower's compliance with applicable Environmental Laws and Borrower's attainment of and compliance with all related permits or licenses necessary for the conduct of Borrower's business.

5.13 Organizational Documents. Lender shall have received (a) the Articles of Organization of Borrower certified as true and correct by the State Corporation Commission of Virginia, together with a certificate of Borrower's Manager that such Articles of Organization have not been amended since the date of the State Corporation Commission certification, (b) the Operating Agreement of Borrower certified by its Manager to be a true, complete and correct copy, and (c) a Certificate of Fact for Borrower issued by the Virginia State Corporation Commission, dated not earlier than thirty (30) days prior to the closing date, evidencing its good standing.

5.14 Votes, Consents and Authorizations. Lender shall have received and approved copies of all votes, consents and authorizations as may be required to evidence Borrower's authority for: (a) the execution and performance of the Notes and the transactions contemplated hereby; (b) providing continuing authorization to designated persons to deal in all respects on behalf of the Borrower; and (c) the execution and delivery of all of the Loan Documents, including specifically but without limitation, this Agreement, the Notes, the Deed of Trust, the Pledge Agreements and the Security Agreements. Borrower's Manager shall certify that such copies are true, complete and in effect without amendment as of the closing date, and shall also certify as to the incumbency and signatures of the officers of the Borrower to execute the Loan Documents on Borrower's behalf.

5.15 Legal and Other Opinions; Supporting Documentation. Lender shall have received and approved the legal opinion of Borrower's counsel to the effect that (a) Lender has a first lien security interest, whether perfected by filing, recordation, assignment or possession, on all Collateral, (b) Borrower exists in good standing with full power and authority to execute, deliver and perform under the Loan Documents, (c) the Loan Documents are enforceable subject to customary limitations affecting creditors' rights generally, (d) Borrower has in effect all licenses and permits necessary for the conduct of its business, and (e) such other matters as Lender or its counsel may require or which are customary for transactions of this type.

5.16 Certification of No Violation. Borrower shall provide Lender a certificate executed by its Manager affirmatively stating that the making, performance and existence of the Loans has not and will not cause Borrower to be in violation of any existing agreement between Borrower and any other creditor. In the event the consummation of the Loans or the existence and repayment of any other loan would violate any existing agreement, Borrower shall provide Lender with written verification that such violation has been waived by the creditor.

5.17 Purchase of Stock. Borrower shall purchase and hold stock and/or participation certificates in the Lender in the amount of One Thousand Dollars (\$1,000.00), in connection with the Loans, and shall maintain such stock ownership during the term of the Loans. Retirement of such stock or participation certificates of Lender purchased by Borrower is subject to the bylaws of Lender and the risk of capital impairment. Lender shall have a first lien on all stock, participation certificates and allocated surplus and reserves owned by Borrower, which lien shall serve as additional security for the Loans. Ownership of Lender's stock or participation certificates will be evidenced by entries recorded on the books of the Lender.

5.18 No Default. No "Default" or "Event of Default" as defined in Article 7 of this Agreement shall have occurred.

5.19 Capital Expenditures Budget. Borrower shall have provided, and Lender shall have approved in its discretion, Borrower's capital expenditure budget for the period from Loan closing until the end of the 2007 fiscal year, as contemplated by Section 4.2 above.

5.20 Permits, Licenses and Contracts. Borrower shall have delivered to Lender copies of all permits, licenses, trademark and intellectual property registrations, distribution agreements, supply agreements (including but not limited to those for grapes) and other contracts integral to Borrower's business operations, all of which must be satisfactory to Lender in its discretion and subject to a first priority lien in favor of Lender as part of the Collateral. At closing, Borrower's Manager shall certify to Lender that Borrower has in place all licenses and permits necessary for the conduct of its business, identifying such licenses and permits with specificity.

5.21 Other Documents. Lender shall have received such other information and documents, in form and substance satisfactory to lender, as Lender may reasonably request.

5.22 Future Advances. Future Advances under the Revolver Note are subject to the additional requirements and conditions set forth in Article 3 above, and future Advances under the Non-Revolver Note are subject to the additional requirements and conditions set forth in Article 4 above. Notwithstanding anything to the contrary in this Agreement, Lender shall have no obligation to make future Advances under the Revolver Note or the Non-Revolver Note unless, as of the date of such requested Advance: (a) Borrower is in compliance with all of the conditions, terms, covenants and agreements set forth in this Agreement and the other Loan Documents, (b) all representations and warranties of the Borrower and Guarantors in any of the Loan Documents are true and correct in all material respects as of the date of such Advance as if first made on that date, (c) immediately before and after such Advance, no default shall have occurred under any of the Loan Documents and no event shall have occurred that with notice or the passage of time or both would constitute a default under any of the Loan Documents, (d) no material adverse change shall have occurred in the assets, liabilities, properties, business, operations, or financial condition of Borrower or any Guarantor, and (e) no lien or claim adverse to Lender's first-priority, perfected lien on the Real Property or any of the Collateral shall exist or have been filed or asserted.

ARTICLE 6

REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Representations and Warranties. To induce Lender to enter into this Loan Agreement and to make the Loans to Borrower, Borrower and Guarantors, as applicable, hereby make the following representations and warranties, which are made as of the date hereof, as of

each date that any proceeds of any of the Loans are disbursed and as of each date that Lender makes any Advance to Borrower under the Revolving Line of Credit or Non-Revolving Line of Credit, and at all times thereafter so long as any portion of the Obligations are owed to Lender:

(a) Borrower is a limited liability company duly organized and validly existing in good standing under the laws of the Commonwealth of Virginia and all other jurisdictions as required for its business operations as now conducted. Borrower has all requisite power and authority to conduct its business and to own its properties, as now conducted or owned, and as contemplated by this Agreement.

(b) Borrower has the power to execute, deliver, and carry out the terms and provisions of this Loan Agreement and the other Loan Documents and has taken all necessary action to authorize the execution, delivery and performance of this Loan Agreement, the other Loan Documents, and the borrowings hereunder.

(c) There is no litigation, arbitration, investigation or administrative proceeding pending, or to the best of the Borrower's and Guarantors' knowledge threatened, against Borrower or any Guarantor, or any part of the Real Property or Collateral.

(d) The execution, delivery and performance by Borrower of this Loan Agreement and all other Loan Documents will not contravene, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under: (i) the articles of organization or operating agreement of Borrower, (ii) any note, deed of trust, mortgage, indenture, or other agreement or instrument to which Borrower or any Guarantor is a party or by which Borrower or any Guarantor is bound, or (iii) any existing law, order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality, agency, body or court having jurisdiction over Borrower or Guarantor or any property of Borrower or Guarantors. The execution, delivery and performance by Borrower of the Loan Documents will not result in the imposition of a lien or security interest upon any of the property of Borrower or Guarantor pursuant to any indenture, mortgage, deed of trust or other instrument to which it is a signatory, other than those created in favor of Lender.

(e) Borrower's operations are now and have been conducted in compliance with all applicable Legal Requirements. The Real Property and all improvements thereon comply in all material respects with the applicable requirements of the Americans with Disabilities Act and all regulations promulgated thereunder.

(f) Borrower has good and marketable title to the Real Property and the Collateral, free and clear of all liens and encumbrances of any nature whatsoever, except for Permitted Title Exceptions, liens granted to Lender, liens securing the Existing Loans to be released upon refinance of such loans by the Term Loan, and liens disclosed to and approved by Lender in writing as of the date of Closing. The Life Insurance Policy is in effect, and is not subject to any prior pledge or lien.

(g) Borrower and the Collateral are free from any past due obligations for sales or payroll taxes or claims relating thereto.

(h) Each of the Loan Documents has been duly authorized, executed and delivered on behalf of Borrower and Guarantors, and each constitutes the legal, valid and binding obligation of Borrower and/or Guarantors, as the case may be, in accordance with the respective terms thereof, subject to bankruptcy, insolvency and similar laws of general application affecting the rights and remedies of creditors generally.

(i) To the best of Borrower's and Guarantors' knowledge, all of the conditions precedent to closing and funding of the Loans have been satisfied.

(j) Neither Borrower, either Guarantor or any Person acting on their behalf has dealt with any broker, finder or other person or entity who or which may be entitled to a broker's or finder's fee, or other compensation, payable by Lender in connection with the Loans. Borrower shall indemnify and save harmless Lender from and against any and all liabilities, damages, penalties, costs, and expenses, relating in any manner to any brokerage or finder's fees in respect of the Loans.

(k) Borrower and Guarantors have delivered to Lender true, accurate and complete financial statements of Borrower and Guarantors. Such financial statements fairly present the financial condition of Borrower and Guarantors as of the dates thereof, and no material adverse change has occurred in Borrower's or either Guarantor's financial condition or business since the dates thereof. None of the information disclosed by Borrower or Guarantors to Lender in connection with the Loans contains any untrue statement of facts or omits to state any fact necessary in order to make the statements therein not misleading.

(l) Borrower and Guarantors have properly filed all federal, state, and municipal tax returns or reports that are required by law or regulation to be filed, and have paid all taxes, assessments and other governmental charges payable by them or with respect to their respective business operations.

(m) No consent, license, approval, or authorization of, or registration, declaration, or filing with, any court, governmental body or authority, or other Person is required in connection with the valid execution, delivery, or performance of the Loan Documents or for the conduct of Borrower's business as now conducted, except those licenses and permits provided and certified to Lender as herein required. Borrower is in possession of all material licenses, permits and authorizations required by applicable law for the ownership and operation of the Real Property and the conduct of its business as now conducted.

(n) Neither Borrower nor either Guarantor is in default in the payment of the principal of, or interest on, any indebtedness for borrowed money, nor is Borrower or any Guarantor in default under any instrument or agreement under or subject to which any indebtedness for borrowed money has been issued. No event has occurred and is continuing under the provisions of any such instrument or agreement which with the lapse of time or the giving of notice, or both, would constitute a potential default or an event of default thereunder.

(o) To the best of Borrower's and Guarantor's knowledge: (i) no part of the Real Property has ever been or is now being used in violation of Environmental Laws; (ii) no proceedings have been commenced against Borrower or any other Person concerning any alleged violations of any Environmental Laws on or related to the Real Property, (iii) Borrower has no reason to know of any violations of any Environmental Laws on or related to the Real Property or any proceeding relating thereto; (iv) the Real Property is free from any hazardous or toxic substance or waste or other materials regulated under Environmental Laws, including but not limited to, asbestos, PCBs, petroleum products, fertilizers, animal waste, and pesticides ("Substances") and is not being used for the storage, treatment or disposal of any Substances except for those uses necessary in the conduct of Borrower's business which are conducted in strict compliance with applicable Legal Requirements and Environmental Laws. If any of the foregoing representations and warranties is untrue or is qualified in any way, Borrower has made a complete disclosure to Lender of all facts that might indicate an environmental risk or the violation of any Environmental Laws on or related to the Real Property or to the Borrower's operation of its business.

(p) Borrower has not contributed or been obligated to contribute to a multi-employer plan as that term is defined in Section 4001 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), within the preceding five years. Borrower either (i) does not maintain any plan (Plan") that is subject to Title IV of ERISA, or (ii) is in compliance in all material respects with all applicable provisions of ERISA and the Internal Revenue Code relating to minimum funding requirements for each Plan. Borrower has not incurred any liability to the Pension Benefit Guaranty Corporation with respect to any Plan. As of the date hereof and throughout the term of the Loan: (a) Borrower is not and will not be (i) an "employee benefit plan," as defined in Section 3(3) of ERISA, (ii) a "governmental plan" within the meaning of Section 3(32) of ERISA, or (iii) a "plan" within the meaning of Section 4975(e) of the Code; (b) the assets of Borrower do not and will not constitute "plan assets" within the meaning of the United States Department of Labor Regulations set forth in Section 2510.3-101 of Title 29 of the Code of Federal Regulations; (c) transactions by or with Borrower are not and will not be subject to state statutes applicable to Borrower regulating investments of fiduciaries with respect to governmental plans; and (d) Borrower will not engage in any transaction that would cause any Obligation or any action taken or to be taken hereunder (or the exercise by Lender of any of its rights under the Deed of Trust or any of the other Loan Documents) to be a non-exempt (under a statutory or administrative class exemption) prohibited transaction under ERISA or Section 4975 of the Code. Borrower agrees to deliver to Lender such certifications or other evidence of compliance with the provisions of this Section as Lender may from time to time request.

(q) There is no strike, labor dispute, slowdown or stoppage pending or, to the best of Borrower's knowledge, threatened against Borrower.

(r) Borrower is not insolvent and the consummation of the transaction contemplated by this Agreement, the Notes and the other Loan Documents will not render Borrower insolvent. No bankruptcy or insolvency proceedings are pending or contemplated by

Borrower or either Guarantor, or to the best knowledge of Borrower and Guarantors, against Borrower or either Guarantor.

(s) The Real Property constitutes separate tax parcel or parcels for purposes of ad valorem taxation. The Real Property and the operation of Borrower's business as now conducted do not require any rights over, or restrictions against, other property in order to comply with Legal Requirements.

(t) None of Borrower, any Guarantor or their Affiliates or subsidiaries (a) is a Sanctioned Person or a Person or government subject to trade restrictions under U.S. law, including, but not limited to, the International Emergency Economic Powers Act, 50 U.S.C. Sects. 1701 et seq., the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act) Act of 2001 (Public Law 107-56), The Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any Executive Orders or regulations promulgated under any such legislation, or (b) has done, does or will do business in a Sanctioned Country or with a Sanctioned Person in violation of the economic sanctions of the United States administered by OFAC or described above. The proceeds of any Loan will not be used to fund any operation in, finance any investments or activities in or make any payments to, a Sanctioned Person or a Sanctioned Country or in any way that would cause the Loans to be in violation of Legal Requirements.

(u) Borrower conducts its business solely under the name set forth in the Preamble to this Agreement and makes use of no trade names in connection therewith, unless such trade names have been previously disclosed to Lender in writing.

6.2 Affirmative Covenants. Borrower and Guarantors, as applicable, covenant and agree that for so long as this Loan Agreement is in effect, and/or until all Obligations have been fully performed and paid:

(a) Borrower and each Guarantor shall deliver to Lender true, accurate and complete financial statements and a certificate that such financial statements fairly present their respective financial condition as of the date thereof and that no material and adverse change has occurred in any of their financial conditions or businesses since the dates thereof. All financial statements of Borrower or either Guarantor hereafter furnished to Lender shall be true, accurate and complete, and shall fairly present financial condition as of the date thereof. Without limiting the generality of the foregoing, Borrower and Guarantors shall furnish or cause to be furnished to Lender from time to time the following financial statements and reports and other information:

(i) Within ninety (90) days following the end of Borrower's fiscal year, Borrower shall provide to Lender unqualified audited, consolidated financial statements of Borrower prepared by an independent, certified public accountant acceptable to Lender, in accordance with GAAP, consistently applied, which financial statement must be acceptable to Lender in its sole discretion. Such financial statements must include without limitation, a balance sheet, profit and loss statement and statement of cash flows, and must include a statement by such accountant to the effect that he or she has examined the provisions of this Loan Agreement and at the date of said statement he or she is not aware of any default in the

performance by the Borrower of any obligation to be performed hereunder, including financial covenants herein, except as disclosed in said statement and including the nature thereof. Such financial statements shall include a compliance certificate, with supporting covenant calculations, certified by Borrower's chief financial officer, evidencing Borrower's compliance with the financial covenants set forth herein as of the end of the fiscal year based on such audited statements.

(ii) On or before May 1 of each calendar year during the term of the Loans, Borrower and Guarantors shall deliver to Lender the personal balance sheet and personal income verification of each Guarantor, as of Borrower's fiscal year end, prepared and certified by an independent, certified public accountant acceptable to Lender, which financial statements must be acceptable to Lender in its sole discretion. Such financial statements must include and reflect all of Guarantor's assets, liabilities, net worth, income and contingent liabilities, all in reasonable detail and acceptable to Lender, and must be signed and certified by Guarantor as true, correct and complete. Such statements shall also include copies of brokerage statements and certification of the preparing accountant as to compliance of Guarantors with the liquidity test set forth in Section 6.3(a) below.

(iii) Within forty-five (45) days following the end of each fiscal quarter, Borrower shall provide to Lender interim, internally prepared financial statements, including without limitation balance sheet and statement of profit and loss, which financial statements shall be prepared in accordance with GAAP, consistently applied, in form and substance acceptable to Lender in its discretion, and must be signed and certified by Borrower's chief financial officer as true, correct and complete. Such financial statements shall include a compliance certificate, with supporting covenant calculations, certified by Borrower's chief financial officer, evidencing Borrower's compliance with the financial covenants set forth herein as of the end of the applicable fiscal quarter.

(iv) Within forty-five (45) days following the end of each fiscal year, Borrower shall provide to Lender an annual financial forecast and Borrower's board-approved annual budgets and forecasts of operations and capital expenditures, together with a cash flow projection of Borrower, in form and substance satisfactory to Lender, listing the sources and uses of cash for each month of the following fiscal year. Such forecast must be acceptable to Lender in its sole discretion, and the capital expenditure budget shall be subject to Lender's approval.

(v) Within a reasonable period of time and from time to time such other financial data or information as Lender reasonably may request with respect to Borrower, the Real Property or any of the Collateral.

(b) Borrower shall provide to Lender, on a monthly basis by the tenth day of each calendar month with respect to the preceding calendar month, a Borrowing Base Certificate in the form of Exhibit A, signed and certified by Borrower as a true, correct and complete representation of the Borrowing Base as of the close of the preceding month.

(c) Borrower shall deliver to Lender, within thirty (30) calendar days after filing with the Internal Revenue Service, a complete copy of the federal tax return filed on its behalf. If an extension is filed, a copy of the extension shall be delivered to Lender within thirty (30) calendar days after its filing.

(d) Borrower shall (i) preserve and maintain its existence, qualification and good standing in the state of its organization and in every other state in which Borrower conducts its business and duly procure all necessary renewals and extensions thereof, (ii) use its best efforts to maintain, preserve and renew all rights, powers, privileges and franchises which are necessary or desirable in the conduct of its business, and (iii) comply with all applicable Legal Requirements with respect to its property or the conduct of its business.

(e) Borrower shall keep and maintain adequate books and records that accurately reflect all financial transactions of Borrower. All of Borrower's business records shall be maintained at its principal place of business as identified in the introductory paragraph of this Agreement, or such other location as Lender approves in writing. Upon reasonable notice and at reasonable times during normal business hours, Lender shall have the right, at Borrower's cost and expense (through such agents, accountants, attorneys and representatives as Lender may designate) to examine Borrower's books and records and make copies of and abstracts from Borrower's books of account, correspondence and other records and to discuss its financial and other affairs with any of its owners and accountants. It is agreed that Lender may divulge information obtained from such examinations to others in connection with Legal Requirements; in connection with administering the Loans and enforcing its rights and remedies under the Loan Documents; and in the conduct, operation and regulation of its lending business (which may include without limitation the transfer of any or all of the Loans or of participation interests therein). Any transferee of any of the Loans or any holder of a participation interest in any of the Loans shall be entitled to deal with such information in the same manner and in connection with any subsequent transfer of its interest in the Loans or of further participation interests therein.

(f) Borrower shall provide to Lender, within ten (10) calendar days after receipt thereof by Borrower or concurrently with filing thereof by Borrower, copies of all reports and correspondence to or from the Virginia Department of Alcoholic Beverage Control, federal Bureau of Alcohol Tobacco and Firearms or other governmental or regulatory body, including but not limited to the monthly inventory reports submitted by Borrower.

(g) If any Substances are brought upon any of the Real Property, Borrower shall maintain and/or remove them in accordance with all applicable laws. Borrower shall promptly take all action that is needed to abate any environmental risk or comply with any Environmental Laws on or related to the Real Property at Borrower's sole expense. At Lender's request from time to time, for reasonable cause, Borrower shall obtain at its expense an environmental audit covering any Real Property from experts reasonably acceptable to Lender. Borrower shall promptly inform Lender in writing of any environmental risk or violation of any Environmental Laws on or related to the Real Property or the business operations of Borrower. Borrower shall immediately advise Lender in writing of (i) any and all enforcement, cleanup, remedial, removal, or other federal, state, or local laws, ordinances or regulations relating to any

Substances affecting the Real Property or the business operations of the Borrower; and (ii) all claims made or threatened by any third party against Borrower relating to damages, contributions, cost recovery, compensation, loss or injury resulting from any Substances or Environmental Laws. Borrower shall immediately notify Lender of any environmental remedial action taken by Borrower with respect to the Real Property or its business operations.

(h) Borrower shall at all times, both before and after repayment of the Loans, at its sole cost and expense, indemnify, exonerate and save harmless Lender and all those claiming by, through or under Lender (each an "**Indemnified Party**") against and from all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, proceedings, costs, disbursements or expenses of any kind whatsoever, including, without limitation, reasonable attorneys' fees and experts' fees and disbursements, which may at any time (including, without limitation, before or after discharge or foreclosure of any Deed of Trust, Pledge Agreements or Security Agreements) be imposed upon, incurred by or asserted or awarded against the Indemnified Party and arising from or out of: (i) any violation of, or failure to comply with, any Legal Requirements with respect to the Real Property or any of Borrower's property; or (ii) any act, omission, negligence or conduct at any property of the Borrower, arising or claimed to have arisen out of any act, omission, negligence or conduct of Borrower, or any contractor, sub-contractor, tenant, occupant or invitee thereof which is in any way related to such property, or (iii) any Event of Default or breach of Borrower's or any Guarantor's obligations under the Loan Documents.

(i) Borrower shall duly pay and discharge, or cause to be paid and discharged, before the same shall become delinquent, all taxes, assessments and other governmental charges payable by it with respect to the Real Property and the Collateral, as well as all claims or obligations for labor, materials, supplies or services and the operation of its business. Any such tax, assessment, charge, levy, claim or obligation need not be paid if the validity or amount thereof shall be contested currently, diligently and in good faith by appropriate proceedings and if Borrower shall have adequate unencumbered (except in favor of Lender) cash reserves with respect thereto, provided that Borrower shall pay all such taxes, assessments, charges, levies, claims or obligations: (i) forthwith upon the commencement of proceedings to enforce any lien which may have attached as security therefore, or (ii) as to claims for labor, materials or supplies, prior to the imposition of any lien on any of Borrower's property, unless the lien is discharged or bonded to Lender's discretionary satisfaction.

(j) Borrower shall at all times maintain in full force and effect hazard and general liability insurance on the Real Property and the Collateral, in such amounts and with reputable insurance companies as are satisfactory to Lender. All such insurance policies shall name Lender as mortgagee/secured party/additional insured/additional loss payee, as its interests may appear and shall provide for not less than thirty (30) days written notice of cancellation to Lender. Borrower shall pay all insurance premiums on or before the due date and, upon Lender's request, Borrower shall provide Lender with evidence of such payment of insurance. If at any time during the term of the Loans, or any of them, the Real Property or any part of it, becomes located in an area designated by the Director of Federal Emergency Management Agency as a special flood hazard area, Borrower shall obtain and maintain federal flood insurance, to the

extent such insurance is required and is or becomes available, for the term(s) of the Loans and for the full unpaid principal balance of the Loans or the maximum limit of coverage that is available, whichever is less. Borrower will deliver copies of such policies to Lender and provide appropriate clauses in the insurance policies indicating Lender's status as co-insured under the policy as its interest may appear.

(k) Borrower shall at all times maintain in full force and effect workers compensation insurance for all employees of Borrower in such amount as is required by Law and including employer's liability insurance, if required by Lender, and product liability insurance, as well as any other insurance required or customary for its business operations, in such amounts and with reputable insurance companies as are satisfactory to Lender. All such insurance policies shall name Lender as mortgagee/secured party/additional insured/additional loss payee, as its interests may appear and shall provide for not less than thirty (30) days written notice of cancellation to Lender. Borrower shall pay all insurance premiums on or before the due date and, upon Lender's request, Borrower shall provide Lender with evidence of such payment of insurance.

(l) Borrower shall pay all reasonable costs and expenses incurred by Lender in connection with the making and implementation of the Loans, the administration of the Loans and the enforcement of Lender's rights under the Loan Documents, including without limitation legal fees and disbursements, appraisal fees, inspection fees, travel costs, and fees and out-of-pocket costs of independent engineers and consultants. Borrower's obligations to pay such reasonable costs and expenses shall include without limitation all attorneys' fees and other costs and expenses for preparing and reviewing the Loan Documents (subject to the cap herein provided), and preparing and conducting litigation or dispute resolution arising from any breach by Borrower or any Guarantor of any covenant, warranty, representation or agreement under any Loan Document.

(m) Lender shall have the right, but not the obligation, upon reasonable notice to Borrower, to have conducted by a third party and/or by Lender (i) an inspection of the physical condition of the Real Property or the Collateral, including, testing, and/or conducting engineering studies thereon; (ii) an appraisal of the Real Property or the Collateral; and/or (iii) a review to determine compliance of the Collateral and/or Borrower's activities on the Real Property with the requirements of the Loan Documents. Borrower shall provide Lender with such personnel as may be requested by Lender to assist Lender and/or the third party selected by Lender in such inspection. If Lender takes any of the foregoing actions to address regulatory requirements, or based upon a good faith belief that the Collateral or Borrower's activities on the Real Property may be in violation of the terms of the Loan Documents, or at any time after an Event of Default by Borrower, then Borrower shall reimburse Lender on demand for the costs thereof. Lender shall have the right, through such agents and representatives as Lender may designate to discuss Borrower's business affairs and operations with any owners, officers, managers and/or employees of Borrower.

Without limiting the generality of the foregoing, Lender shall have the right to require inventory and/or accounts receivable confirmations at reasonable intervals by an

independent party selected by Lender, at Borrower's expense. Any such confirmation shall be in form and content acceptable to Lender in its discretion.

(n) Borrower shall conduct its affairs in a lawful manner and in compliance with all Legal Requirements applicable thereto including maintaining all necessary permits, licenses, authorizations and other governmental approvals for the operation of the business of Borrower.

(o) Borrower shall promptly notify Lender in writing of all actions, suits, proceedings, arbitrations, or governmental investigations or inquiries which have been commenced or threatened in writing against Borrower or any Guarantor or affecting any of their respective properties and assets. Borrower shall promptly furnish Lender with a copy of all papers and documents relating thereto.

(p) Borrower shall maintain in full force and effect the Life Insurance Policy, including without limitation the timely payment of all premiums therefor. Borrower shall not surrender, amend or modify the Life Insurance Policy, its coverage or beneficiary designation without the prior written consent of Lender. Borrower shall deliver to Lender evidence of premium payments regarding the Life Insurance Policy promptly after payment thereof.

(q) Borrower shall maintain the Collateral in good and safe condition, and shall maintain all inventory, including Bulk Wine Inventory and Bottled Wine Inventory, in good and merchantable condition. Borrower shall take all reasonable steps to protect and preserve the Collateral and inventory, and shall make all necessary or advisable repairs and replacements thereof.

(r) Borrower shall provide to Lender immediate notice of (i) the occurrence of a default and what action (if any) Borrower is taking to correct the same, (ii) any damage or loss to property in excess of \$500,000, (iii) any notice from taxing authorities as to claimed deficiencies or any tax lien or any notice relating to alleged ERISA violations, (iv) any Reportable Event, as defined in ERISA, (v) any rejection, return, offset, dispute, loss or other circumstance having a Material Adverse Effect on any Collateral, (vi) the cancellation or termination of, or any default under, any Material Agreement to which Borrower is a party or by which any of its properties are bound, or any acceleration of the maturity of any Debt of Borrower; and (viii) any loss or threatened loss of material licenses or permits.

6.3 Financial Covenants. Borrower and Guarantors, as applicable, covenants and agrees that for so long as this Loan Agreement is in effect and until all Obligations have been fully performed and paid:

(a) On an annual basis, measured as of the end of Borrower's fiscal year, Guarantors collectively shall have unencumbered liquid assets of not less than Six Million Dollars (\$6,000,000.00). Eligible liquid assets for such liquidity test shall include cash, time deposits and marketable securities which are not subject to any lien or pledge. Photocopies of brokerage statements shall be submitted along with the personal financial statements of each

Guarantor as herein required, to evidence compliance.

(b) Borrower shall at all times maintain a Current Ratio according to the following schedule, to be measured on the last day of each fiscal quarter beginning with the first full fiscal quarter after Loan closing (i) from Loan closing through December 31, 2011, Current Ratio of not less than 1.25 to 1.0, and (ii) thereafter, Current Ratio of not less than 1.5 to 1.0.

(c) Borrower shall at all times maintain a Total Liabilities to Total Assets ratio determined in accordance with GAAP, consistently applied, except that the Borrower's debt to Guarantors subordinated to the Loans pursuant to the Guaranty Agreements shall be excluded from Total Liabilities, according to the following schedule, to be measured on the last day of each fiscal quarter beginning with the first full fiscal quarter after Loan closing:

From closing through 12/31/2007:	$\leq 1.10:1.00$
From 1/1/2008 through 12/31/2010:	$\leq 1.15:1.00$
From 1/1/2011 through 12/31/2011:	$\leq 1.10:1.00$
From 1/1/2012 through 12/31/2012:	$\leq 0.95:1.00$
From 1/1/2013 through 12/31/2013:	$\leq 0.75:1.00$
From 1/1/2014 through 12/31/2014:	$\leq 0.60:1.00$
Thereafter:	$\leq 0.50:1.00$

(d) Borrower shall at all times maintain a Debt Service Coverage Ratio determined according to GAAP, consistently applied, according to the following schedule, to be measured on June 30, 2008 and thereafter on the last day of each fiscal quarter, as applied to the twelve month period ending on the last day of the applicable fiscal quarter, on a rolling basis:

From closing through 12/31/2008:	$\geq 0.55:1.00$
From 1/1/2009 through 12/31/2009:	$\geq 0.60:1.00$
From 1/1/2010 through 12/31/2010:	$\geq 1.05:1.00$
From 1/1/2011 through 12/31/2011:	$\geq 1.10:1.00$
Thereafter:	$\geq 1.50:1.00$

(e) Borrower shall have minimum Gross Sales as defined in accordance with GAAP, less returns, discounts and allowances, of Two Million One Hundred Forty Thousand Dollars (\$2,140,000.00) for the fiscal year ending December 31, 2007, determined in accordance with GAAP and reflected on the audited financial statements prepared by an independent accountant for such fiscal year, as delivered to Lender under Section 6.2(a)(i) above.

6.4 Negative Covenants. Borrower covenants and agrees that for so long as this Loan Agreement is in effect and/or until all Obligations have been fully performed and paid, without the prior written consent of Lender:

(a) Borrower shall not cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, or dissolve. The ownership of Borrower shall not change if such change results in a change in control of Borrower, or in the Guarantors holding less than a

controlling interest of the membership interests of Borrower, or causes the Loan to violate the provisions of Section 6.1(t) above pertaining to Sanctioned Persons or Sanctioned Countries or related Legal Requirements.

(b) Borrower shall not sell, transfer, convey or assign any of its assets other than in the ordinary course of its business. Borrower shall not change the general character of its business as now conducted or engage in any type of business that is not reasonably related to its business as now conducted.

(c) Borrower shall not change its name or its fiscal year.

(d) Borrower shall not incur, create or suffer to exist any lien, pledge, assignment or other encumbrance on, or security interest in, any of the Real Property or Collateral, other than the lien in favor of Lender created by the Loan Documents. Notwithstanding the foregoing, Borrower may enter into purchase money financing for capital expenditures which are not financed by the Loans up to the \$500,000.00 ceiling and subject to the limitations set forth in paragraph (e) below.

(e) Borrower shall not incur capital expenditures in excess of the capital expenditures budget delivered to and approved by Lender on an annual basis, as herein provided, provided that so long as no default or Event of Default has occurred, Borrower may incur capital expenditures in excess of such approved budget up to \$500,000.00 in the aggregate at any one time outstanding. Borrower shall provide prior written notice to Lender of any capital expenditures incurred in excess of the approved budget, with sufficient detail to permit Lender to determine compliance with this covenant. If Lender has not approved a capital expenditures budget, then this paragraph shall not permit capital expenditures under such unapproved budget.

(f) During the term of the Loans, Borrower shall not incur any Debt other than the Loans, provided that the following Debt shall be permitted so long as it does not cause a violation of the financial covenants set forth herein, on a pro forma basis: (a) trade payables in the ordinary course of its business, and (b) purchase money financing and capital leases to fund capital expenditures consistent with the preceding paragraph (e).

(g) Borrower shall not declare or pay any dividends or distributions during any fiscal year, nor shall Borrower redeem or repurchase any interests therein. Borrower shall not incur or make payments on any related party debt, provided that so long as no default or Event of Default under the Loan Documents then exists, Borrower may make interest only payments on existing debt of Borrower to Guarantors which are subordinated to the Loans, at an annual interest rate of no greater than 6.375%.

(h) Borrower shall not increase the total compensation paid to either William Moses (CEO) or Patricia Kluge (Founder and Chairwoman), directly or indirectly, during any fiscal year by more than three percent (3%).

(i) Borrower shall not make loans or advances, except in the ordinary course of its business such as reasonable travel and expense advances to employees, to any Person during any fiscal year. Borrower shall not guarantee the debt or liabilities of any Person.

(j) Borrower shall not directly or indirectly purchase, acquire or lease any property from, or sell, transfer or lease any property to, pay any management fees to or otherwise deal with, in the ordinary course of business or otherwise, any Affiliate or subsidiary, except upon terms not less favorable to Borrower than if no such relationship existed.

(k) Borrower shall not create or accept any account, instrument, chattel paper or other obligation of any kind due from or owed by as Sanctioned Person or enter into any lease that secures the Obligations where the lessee is a Sanctioned Person; and shall notify Lender promptly in writing if it learns that any Account Debtor is a Sanctioned Person.

ARTICLE 7

EVENTS OF DEFAULT

7.1 Events of Default; Acceleration. Upon the occurrence of any one of the following events of default (each an “**Event of Default**”), Lender’s obligation to make Advances shall terminate and the unpaid balances of the Notes, including all accrued interest, and all other Obligations shall, at the option of Lender, be due and payable upon notice or demand:

(a) Borrower fails to pay as and when due any amount due under the Term Loan Note, the Revolver Note, or the Non-Revolver Note, or any amount due under this Agreement or any other Loan Document;

(b) Any representation or warranty made to Lender in this Agreement or in any other Loan Document shall prove, in a material respect in the reasonable opinion of Lender, to be or have been false or misleading;

(c) Borrower defaults in the performance of any of the covenants, conditions, agreements or obligations under this Agreement;

(d) A default uncured within any applicable cure period therein stated occurs under any other Loan Document,;

(e) Borrower or any Guarantor: (i) admits in writing its inability to pay its debts generally as they become due; (ii) files a petition in bankruptcy or a petition to take advantage of any insolvency act; (iii) makes an assignment for the benefit of creditors; (iv) consents to, or acquiesce in, the appointment of a receiver, liquidator or trustee of itself or of the whole or any substantial part of its or his properties or assets; (v) files a petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Federal bankruptcy laws or any other applicable law; (vi) has a court of competent jurisdiction enter an order, judgment or decree appointing a receiver, liquidator or trustee for it or him, or of the whole or any substantial part of its or his property or assets, and

such order, judgment or decree remains unvacated or is not set aside or unstayed for thirty (30) days; (vii) has a petition filed against it or him seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the Federal bankruptcy laws or any other applicable law and such petition shall remain undismissed for thirty (30) days; (viii) under the provisions of any other law for the relief or aid of debtors, has any court of competent jurisdiction assume custody or control of it or him, or of the whole or any substantial part of its or his property or assets and such custody or control shall remain unterminated or unstayed for (30) days; (ix) has an attachment or execution levied against any substantial portion of its or his property or against any portion of the Real Property or the Collateral which is not discharged or dissolved by a bond within thirty (30) days.

(f) Borrower ceases to exist, is liquidated, or dissolves.

(g) Either Guarantor dies or both Guarantors die, if Lender has not approved a modified business plan and substitute security as provided below within one hundred and eighty (180) days of the date of such Guarantor's death. Upon the death of either or both Guarantors, the proceeds of the Life Insurance Policy insuring the life of such Guarantor(s) shall be placed into an interest-bearing or investment account acceptable to Lender and upon which Lender has a first-priority, perfected lien pursuant to an account pledge agreement and control agreement acceptable to Lender and its counsel, which account shall stand in the place of the deceased Guarantor. Within one hundred eighty (180) days after the death of either or both Guarantors, Borrower shall propose to Lender a plan for on-going operations of the business given the death of that Guarantor(s), and a proposed package of substitute security to stand in for such Guarantor(s), which may include continued pledge of the Life Insurance proceeds, one or more substitute guarantor(s) or other substitute collateral, or a combination thereof, which plan and substitute security must be acceptable to Lender in its discretion. In reviewing a substitute guarantor, Lender may consider among other things financial strength (including but not limited to net worth and liquidity) and relevant business experience of such Person.

(h) A lien for the performance of work, or the supply of materials, or a notice of contract, or an attachment, judgment, execution or levy of any kind is filed against any of the Real Property or the Collateral and remains unsatisfied or is not discharged or dissolved by a bond (or by cash collateral acceptable to Lender) for a period of thirty (30) days after the filing thereof;

(i) Borrower or Guarantor defaults in any payment of principal or interest due on any other obligation (whether owing to Lender or otherwise) for money borrowed (or any obligation under any conditional sale or other title retention agreement or any obligation secured by a security agreement or purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit), or is in default in the performance of any agreement, term or condition contained in any agreement (whether with Lender or otherwise) under which any such obligation is created by if such failure is not cured within any period of grace with respect thereto.

7.2 Certain Lender Remedies. If an Event of Default occurs, Lender or any other holder of any or all of the Notes may, in addition to all other remedies available to Lender at law or in equity or pursuant to the other Loan Documents:

(a) Declare the Notes or any one of them, and all other Obligations to be immediately due and payable;

(b) Pursue any and all remedies provided for in this Agreement, or under any one or more of the Loan Documents; and/or

(c) Withhold any further Advances of any of the Loans until the default has been cured to Lender's satisfaction.

Lender shall have the right, but not the obligation, to Advance funds on behalf of Borrower for the purpose of performing any covenant of Borrower hereunder, including without limitation, Borrower's covenants to pay or cause to be paid insurance premiums, taxes or to protect and preserve the Collateral. Any amounts so advanced by lender shall become part of the Loans and shall bear interest from the date advanced at the highest annual rate provided in the Notes and secured by the liens and security interests created by the Loan Documents.

ARTICLE 8

ADDITIONAL SECURITY INTEREST

8.1 Security Interest in Amounts Due from Lender. Borrower grants to Lender a direct and continuing lien and security interest, as security for the Obligations and all of Borrower's obligations to Lender in and upon all deposits, balances and other sums credited by or due from Lender to Borrower, and Lender shall have all rights of a secured party under the Uniform Commercial Code as presently in effect in Virginia, with respect to such lien and security interest. In addition to such rights, if any payment is not made when due under any of the Loan Documents, after giving regard to applicable grace periods, if any, or if any Event of Default or other event which would entitle Lender to accelerate the Loans occurs, any such deposits, balances or other sums credited by or due from Lender to Borrower, excluding deposits which Borrower is holding in trust or escrow for the sole benefit of third parties and which Borrower has previously designated to Lender as being so held, may to the fullest extent permitted by law at any time or from time to time, without notice or demand or the acceleration of the Loans or compliance with any other condition precedent now or hereafter imposed by statute, rule of law or otherwise, and regardless of the adequacy of any other collateral, all of which are hereby waived, be set off, appropriated and applied by Lender against the Obligations and any or all of Borrower's obligations to Lender irrespective of whether demand shall have been made and although such obligations may be unmaturing, in such manner as Lender in its sole and absolute discretion may determine. The rights of Lender under this Section 8.1 are in addition to, and not in limitation of, other rights and remedies, including other rights of set off, that Lender may have.

8.2 Power of Attorney. Borrower hereby appoints Lender as its attorney-in-fact, with full power of substitution, to take such actions (on behalf of and in the name of Borrower) as Lender in its sole and absolute discretion, may deem necessary or desirable to effectuate the terms of this Agreement and the other Loan Documents and Borrower's obligations hereunder. This power of attorney, being coupled with an interest, shall be irrevocable until the Obligations have been paid in full.

ARTICLE 9
CASUALTY AND TAKING

9.1 Casualty. Borrower shall promptly notify Lender of any loss or damage from casualty to any of the Real Property or Collateral. In the event Borrower does not promptly make proof of loss, Lender may do so on Borrower's behalf. Each insurance company concerned shall be authorized and directed to make payment for loss to the order of Lender only, instead of to Borrower and Lender jointly, and the insurance proceeds, or any part thereof, may be applied by Lender to the restoration or repair of the damaged property or at the option of Lender may be applied to the Obligations. If Lender elects to apply the insurance proceeds to the Obligations, Lender shall have sole discretion as to the manner in which the application of such proceeds is distributed among principal, interest, charges, penalties, expenses and costs, etc.

9.2 Condemnation. If there is any condemnation for public use of any Real Property or Collateral, the awards on account thereof, up to the amount of the Obligations, shall be paid to Lender and may be applied to the Obligations as Lender in its sole discretion may determine.

ARTICLE 10
GENERAL PROVISIONS

10.1 Notices. Any notice or other communication in connection with this Agreement, the Notes or any other Loan Document shall be in writing, addressed as provided below and (i) delivered in hand by any commercially reasonable manner; (ii) sent by telegram or deposited in the United States Mail, postage prepaid, by registered or certified mail; or (iii) delivered by any commercially recognized overnight delivery service such as Federal Express, addressed:

If to Borrower: Kluge Estate Winery and Vineyard, LLC
100 Grand Cru Drive
Charlottesville, VA 22902
Attention: William J. Moses, CEO

If to Lender: Farm Credit of the Virginias, ACA
106 Sangers Lane; PO Box 899
Staunton, Virginia 24402
Attention: A. Chip Saufley

And in any case at such other address in the United States as the addressee shall have specified by written notice given as set forth in this Section 10.1. All periods of notice shall be measured from the deemed date of delivery. A notice shall be deemed to have been given, delivered and received upon the earlier of: (i) actual receipt at the address specified; or (ii) the tender of delivery during normal business hours at the address specified; or (iii) as to certified or registered mail, three business days after deposit with the U.S. Postal Service, postage prepaid and properly addressed.

10.2 Further Assurances. Borrower and Guarantors shall upon request from Lender from time to time execute, seal, acknowledge and deliver such further instruments or documents as Lender reasonably may require to better perfect and confirm its rights and remedies under this Agreement, any of the Notes or any other Loan Documents, or to correct any errors therein.

10.3 Parties Bound. The provisions of this Agreement and of each of the other Loan Documents are binding upon and shall inure to the benefit of the Borrower and Lender and their respective successors and assigns (except as otherwise prohibited by this Agreement or any of the other Loan Documents). Any such assignments of the Borrower's or the Lender's rights or obligations under this Agreement shall not be deemed a modification of this Agreement.

10.4 Construction. This Agreement and all other Loan Documents shall be construed according to the ordinary and customary meaning of the language used, and shall not be interpreted or construed more strictly against the drafter.

10.5 No Third Party Beneficiaries. This Agreement is a contract by and between Borrower, Guarantors and Lender for their mutual direct or indirect benefit, and no third person (other than a participant of any Loan) shall have any right, claim or interest against Lender, Guarantor, or Borrower by virtue of any provision hereof. NOTWITHSTANDING THE FOREGOING, AS USED HEREIN, THE TERM "LENDER" INCLUDES FARM CREDIT OF THE VIRGINIAS, ACA FOR ITSELF AND/OR AS AGENT/NOMINEE FOR ANY PARTY PURSUANT TO A MASTER AGREEMENT AMONG IT AND ITS WHOLLY-OWNED SUBSIDIARIES FARM CREDIT OF THE VIRGINIAS, FLCA AND FARM CREDIT OF THE VIRINGIAS, PCA, AS THEIR INTERESTS MAY APPEAR. AT THE OPTION OF LENDER, ANY DEFAULT UNDER THE TERMS AND CONDITIONS OF ANY OTHER WRITTEN INSTRUMENT EXECUTED BY BORROWER AND OWNED, HELD OR SERVICED BY LENDER IN ANY OF THE AFORESAID CAPACITIES SHALL CONSTITUTE A DEFAULT UNDER THIS DOCUMENT.

10.6 Waivers, Extensions and Releases. Lender shall not be deemed to have waived any term, covenant or condition hereof except by a writing captioned "Waiver" and signed by the Lender. No action, conduct or failure of action, whether preceding or following the execution of this Agreement, which does not comply with the immediately preceding sentence shall be deemed to constitute a waiver, and any waiver granted in compliance therewith shall be effective only to the extent expressly provided in the writing constituting such waiver.

10.7 Governing Law; Consent to Jurisdiction.

(a) It is understood and agreed that all of the Loan Documents were negotiated, executed and delivered in the Commonwealth of Virginia, and that the Commonwealth of Virginia has a substantial relationship to the parties and to the underlying transactions embodied by the Loan Documents. This Agreement and each of the other Loan Documents shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia and the federal laws of the United States of America, including the Farm Credit Act of 1971, as amended.

(b) Borrower and each Guarantor hereby consents to personal jurisdiction and venue in any state or Federal court located within the Commonwealth of Virginia.

10.8 Survival. All representations, warranties, covenants and agreements of Borrower and Guarantors in this Agreement or any other Loan Document, or in any notice, certificate, or other paper delivered by or on behalf of Borrower or Guarantors pursuant hereto or thereto are significant, shall be deemed to have been relied upon by Lender notwithstanding any investigation made by Lender or on its behalf, and shall survive the delivery of the Loan Documents and the making of each of the Loans. No review or approval by Lender, or by its representatives, of any plans and specifications, opinion letters, certificates by professionals or other items of any nature shall relieve Borrower, Guarantors or anyone else of any of the obligations, warranties or representations made by or on behalf of Borrower or Guarantors under any one or more of the Loan Documents.

10.9 Cumulative Rights. All of the rights and remedies of Lender under this Agreement and under each of the other Loan Documents and any other agreement now or hereafter executed in connection herewith or therewith, shall be cumulative and may be exercised singly, together, or in such combination as Lender may determine in its sole judgment.

10.10 Obligations Absolute. Except to the extent prohibited by applicable law which cannot be waived, the obligations of Borrower under the Loan Documents shall be absolute, unconditional and irrevocable and shall be paid and performed strictly in accordance with the terms of the Loan Documents under all circumstances whatsoever, including without limitation the existence of any claim, set off, defense or other right which Borrower may have at any time against Lender, whether in connection with any of the Loans or any unrelated transaction.

10.11 Title and Headings; Exhibits and Schedules. The titles and the headings of sections are for convenience only and shall not be deemed to affect the meaning or construction of any of its provisions. All exhibits to this Agreement are incorporated herein by reference.

10.12 Counterparts. This Agreement may be executed in several counterparts, each of which when executed and delivered is an original, but all of which together shall constitute one instrument. In making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart executed by the party against whom enforcement of this Agreement is sought.

10.13 Satisfaction of Commitment Letter. The Loans being made by Lender to Borrower are being made pursuant to the terms of this Agreement and of the other Loan Documents in satisfaction of Lender's obligations under the Commitment Letter. The terms, provisions and conditions of this Agreement and the other Loan Documents supersede the provisions of the Commitment Letter.

10.14 Participation of Loan. Lender shall have the right to participate all or any part of the Loans to any lending institution within or outside of the Farm Credit system, and Borrower and Guarantors hereby authorize Lender to disclose to any prospective loan participant or sub-participant all information, including but not limited to financial information, provided to Lender in connection with the Loans. In the event Lender assigns or sells a participation in the Loans, in whole or in part, Lender shall notify Borrower and Guarantors as to the identity of the participating institution. The participation of a Loan shall not affect or limit the rights and obligations of Lender, Borrower or Guarantors as set forth in this Loan Agreement.

Any such participation will affect the patronage paid by Lender to Borrower. On the portion of the Loans retained by Lender, Borrower will receive a patronage commensurate with the patronage approved, if any, by Lender's Board of Directors. On the portion of the Loans participated, Lender shall not pay a patronage to Borrower unless the participating lender pays to Lender a patronage on the participated portion of the Loans. If the participating lender pays to Lender a patronage, Borrower's patronage on the participated portion shall be based on the patronage paid by the participating lender to Lender commensurate with the terms of the patronage approved by Lender's Board of Directors.

10.15 Amendments. No purported alteration, amendment, change, waiver, termination or other modification of this Agreement or any of the other Loan Documents shall be binding upon any party hereto or have any other force or effect in any respect unless the same shall be in writing and signed, in the case of Lender, by an authorized officer or agent thereof.

10.16 Severability. If any term or provision of this Agreement or the other Loan Documents, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Agreement and the other Loan Documents, or the application of such term or provision any other Person or circumstance shall not be affected thereby.

10.17 Time is of the Essence. Time is of the essence of each provision of this Agreement and the other Loan Documents.

10.18 Waiver of Jury Trial. BORROWER AND GUARANTORS HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON ANY OF THE LOANS, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENTS CONTEMPLATED TO BE EXECUTED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY. THIS WAIVER

CONSTITUTES A MATERIAL INDUCEMENT FOR LENDER TO ENTER INTO THE TRANSACTIONS CONTEMPLATED HEREBY.

10.19 Continuing Authority of Authorized Signatures. Lender is authorized to rely upon the continuing authority of the persons, officers, signatories or agents executing the Loan Documents (collectively, the "**Authorized Signatories**") to bind the Borrower with respect to all future matters pertaining to the Loans. Such authorizations may be changed only upon written notice to Lender accompanied by reasonable evidence of the authority of the person giving such notice. Any such notice shall be effective not sooner than five (5) Business Days following receipt thereof by Lender. Lender shall have a right of approval, not to be unreasonably withheld or delayed, over the identity of the Authorized Signatories so as to assure Lender that each authorized signatory is a responsible and senior official of Borrower.


10.20 Electronic Transmission of Data. Lender and Borrower agree that certain data related to the Loan (including confidential information, documents, applications and reports) may be transmitted electronically, including transmission over the Internet. This data may be transmitted to, received from or circulated among agents and representatives of Borrower and/or Lender and their affiliates and other Persons involved with the subject matter of this Agreement. Borrower acknowledges and agrees that (a) there are risks associated with the use of electronic transmission and that Lender does not control the method of transmittal or service providers, (b) Lender has no obligation or responsibility whatsoever and assumes no duty or obligation for the security, receipt or third party interception of any such transmission, and (c) Borrower will release, hold harmless and indemnify Lender from any claim, damage or loss, including that arising in whole or part from Lender's strict liability or sole, comparative or contributory negligence, which is related to the electronic transmission of data.

10.21 Patriot Act Notice. Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), Lender is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Act.

<p>Remainder of page left blank intentionally. Signatures on following page.</p>
--

Executed as a sealed instrument as of the date first written above, on due authority.

LENDER: **FARM CREDIT OF THE VIRGINIAS, ACA**
as agent/nominee


By: 

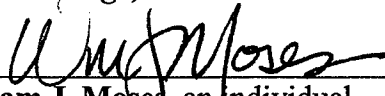
Its: Chief Relationship Manager

BORROWER: **KLUGE ESTATE WINERY AND VINEYARD, L.L.C.**

By: 
Patricia Kluge, Director

GUARANTORS:

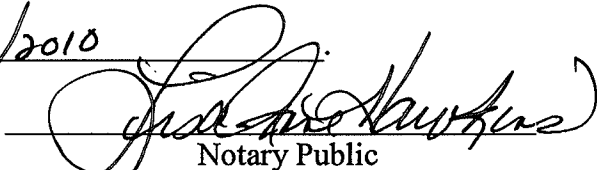

Patricia Kluge, an individual


William J. Moses, an individual

STATE OF VIRGINIA,
COUNTY OF Albemarle, to wit:

The foregoing Loan Agreement was acknowledged before me this 27th day of April, 2007, by Al P. Sawfley II, the Chief Relationship Manager of Farm Credit of the Virginias, ACA, a federally chartered corporation, on behalf of the corporation.

My commission expires 9/30/2010.

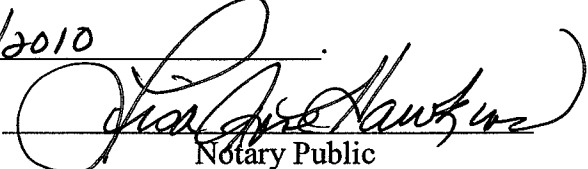

Notary Public

(SEAL)

STATE OF VIRGINIA,
COUNTY OF Albemarle, to wit:

The foregoing Loan Agreement was acknowledged before me this 27th day of April, 2007, by Patricia Kluge, as Director of Kluge Estate Winery and Vineyard, L.L.C., a Virginia limited liability company, on behalf of the company.

My commission expires 9/30/2010.

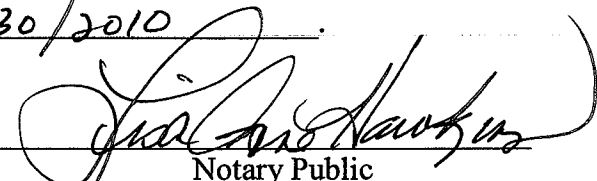

Notary Public

(SEAL)

STATE OF VIRGINIA,
COUNTY OF Albemarle, to wit:

The foregoing Loan Agreement was acknowledged before me this 27th day of April, 2007, by Patricia Kluge.

My commission expires 9/30/2010.


Notary Public

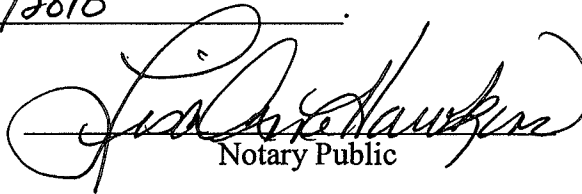
(SEAL)

STATE OF VIRGINIA,

COUNTY OF Albemarle, to wit:

The foregoing Loan Agreement was acknowledged before me this 27th day of April, 2007, by William J. Moses.

My commission expires 9/30/2010.


Notary Public

(SEAL)

128323

**BORROWING BASE REPORT
Farm Credit of the Virginias, ACA ("Lender")**

Name of Borrower ("Borrower") Kluge Estate and Winery, L.L.C.	City, State: Charlottesville, VA	Date of Period: Period Ended
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PART A--ELIGIBLE RECEIVABLES

For purposes hereof, ELIGIBLE RECEIVABLES shall mean accounts receivable owing to Borrower (excluding sales or other taxes, finance charges and late payment charges) from a third party not more than sixty (60) days from the date of original invoice arising in the ordinary course of Borrower's business which meet the definition of "Eligible Accounts" set forth in the Loan Agreement dated April 27, 2007 (the "Loan Agreement") between Lender and Borrower and which meet all of the following eligibility requirements: (a) the sale of goods or services reflected in an eligible account receivable must be lawful and final with payment due and owing, such goods or services having been provided or delivered by Borrower and accepted by the account debtor, (b) the invoices comprising an eligible account receivable must not be subject to any claims, returns or disputes of any kind, (c) the account debtor of an eligible account receivable must be solvent (Borrower having no notice that the account debtor is in bankruptcy, insolvent or in financial distress), must not be a Sanctioned Person or Sanctioned Country, and must have its executive office in the United States of America (all foreign accounts being ineligible), (d) the account debtor must be satisfactory to Lender and must not be an Affiliate, subsidiary or supplier of Borrower (provided that otherwise eligible accounts receivable from O.V. Distributors, LLC shall be included up to a cap of \$100,000.00), (e) an eligible account receivable must not be exposed to risk of set-off, credit, allowance, adjustment or discount (excluding only discount for prompt payment), (f) the account debtor of an eligible account receivable must not owe more than fifteen percent (15%) of its outstanding invoices which are more than ninety (90) days from the original date of invoice, (g) the account must not be evidenced by chattel paper nor by any promissory note or deferred purchase instrument, other than invoices, shipping documents and delivery receipts, and shall not have been reduced to judgment; (h) eligible accounts receivable from a single account debtor shall not constitute more than twenty-five percent (25%) of Eligible Accounts, and any account receivable from a single account debtor which exceeds such percentage shall not be eligible unless approved by Lender in its discretion; (i) an eligible account receivable must be subject to the first-priority, perfected security interest of Lender, and free from any other lien or claim of lien or prior assignment or creation of other security interest, attachment, levy, garnishment or judicial process; and (j) any account that Lender in its reasonable discretion deems ineligible shall be excluded from Eligible Accounts.

ELIGIBLE RECEIVABLES	AMOUNT	ADVANCE RATE	ALLOWABLE ADVANCE
Domestic A/R (excluding O.V. Distributors) ≤ 60 days from invoice date	\$ -	X 75%	\$ -
O. V. Distributors, L.L.C. ≤ 60 days from invoice date (Eligible Amount not to exceed \$100,000)	\$ -	X 75%	\$ -
Ineligible Accounts Receivable	\$ -	X 0%	\$ -
TOTAL PART A	\$ -		\$ -

PART B--ELIGIBLE INVENTORY

For purposes hereof, ELIGIBLE INVENTORY shall mean inventory which meets the definition of "Eligible Inventory" set forth in the Loan Agreement between Lender and Borrower and which is inventory of raw material and finished goods owned by and in the possession of Borrower and being held by Borrower for use or sale in the ordinary course of its business, including but not limited to Eligible Bulk Wine Inventory and Eligible Bottled Wine Inventory, each as defined in the Loan Agreement. To be "eligible inventory," an item of inventory must be merchantable, must not be obsolete and must be subject to a first priority, perfected security interest in favor of Lender, and free from any other lien or claim of lien. Eligible Inventory shall exclude inventory which: (a) is not at all times subject to a duly perfected, first priority (and only) security interest in favor of Lender; (b) is not in good and saleable condition; (c) is on consignment from, or subject to, any repurchase agreement with any supplier; (d) constitutes returned, repossessed, damaged, defective, obsolete, or slow-moving goods as determined by Lender; (e) does not conform in all respects to the warranties and representations set forth in the Loan Documents in respect of Collateral generally; (f) is subject to a negotiable document of title (unless issued or endorsed to Lender); (g) constitutes inventory-in-transit; (h) is located at a location other than the Real Property unless Lender approves upon receipt of such written agreements and acknowledgements from the third party as Lender requires in its discretion; (i) consists of any packaging materials, supplies or promotional materials; (j) has been returned to, or repossessed by, Borrower, or (k) which Lender otherwise in its sole and absolute discretion deems to not be Eligible Inventory.

ELIGIBLE INVENTORY	AMOUNT*	ADVANCE RATE	ALLOWABLE ADVANCE
Eligible Bulk Wine Inventory	\$ -	X 50%	\$ -
Eligible Bottled Wine Inventory	\$ -	X 65%	\$ -
Ineligible Inventory	\$ -	X 0%	\$ -
TOTAL PART B	\$ -		\$ -

* Value shall be based upon Free On Board value as defined in the Loan Agreement and shall be supported by a schedule hereto all in a form and in content acceptable to the Lender.

PART C -- OBLIGATIONS

Accounts Payable (as defined in the Loan Agreement):	OBLIGATIONS
Trade payables including without limitation all trade payables to Affiliates	\$ -
TOTAL PART C	\$ -

BORROWING BASE: Sum of Net Allowable Advance Totals from parts A + B - C	\$ -
MAXIMUM AVAILABILITY (Lesser of Borrowing Base or \$4,000,000.00)	\$ -
Outstanding Balance on REVOLVING LINE OF CREDIT (as of date of this report)	\$ -
If positive = remaining borrowing capacity, if negative = Overadvance*	\$ -

*If an Overadvance is reported above, please contact your Account Officer Immediately with: 1) an updated Borrowing Base Report, and 2) specifics of all payments remitted since end of period (check numbers, wire routing numbers, etc.)

The undersigned certifies that he or she is the _____ of Borrower, and is duly authorized to execute and deliver this Certificate on the Borrower's behalf. On behalf of Borrower, the undersigned certifies to Lender that:

1. To the best of the undersigned's knowledge, no Event of Default and no event or circumstance that with notice or the passage of time, or both, would constitute an Event of Default has occurred and is continuing as of the date of this Certificate, except as follows:

2. The following Borrowing Base information is true and accurate on and as of _____, 20____, and has been calculated and determined in accordance with the specifications set forth in the Loan Agreement based upon financial statements prepared in accordance with the Loan Agreement.

AUTHORIZED SIGNATURE (or Electronic Signature)	TITLE	DATE
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Exhibit C

EXECUTION

LOAN RESTRUCTURE AGREEMENT

THIS LOAN RESTRUCTURE AGREEMENT (the "Agreement"), dated as of May 6, 2009 for reference purposes only, is made by and among **KLUGE ESTATE WINERY AND VINEYARD, LLC**, a Virginia limited liability company (the "Borrower"), **PATRICIA M. KLUGE** and **WILLIAM J. MOSES** (individually and collectively, the "Guarantor" or "Guarantors"), and **FARM CREDIT OF THE VIRGINIAS, ACA**, a federally chartered corporation, for itself and as agent/nominee for any party pursuant to a master agreement among it and its wholly-owned subsidiaries Farm Credit of the Virginias, FLCA and Farm Credit of the Virginias, PCA, as their interests may appear (the "Lender"), with reference to the following facts:

BACKGROUND

A. The Lender has made three loans to the Borrower as follows: (a) Term Loan in the principal amount of \$22,000,000.00, (b) Non-Revolver Line of Credit in the maximum principal amount of \$6,800,000.00, and (c) Revolver Line of Credit in the maximum principal amount of \$6,000,000.00 (the "Loans") in accordance with the terms of a Loan Agreement dated April 27, 2007, as amended by the Note and Loan Document Modification Agreement dated July 19, 2007 (as further amended by the Second Loan Document Modification Agreement executed pursuant hereto and concurrently herewith, the "Loan Agreement"). Capitalized terms used but not otherwise defined herein have the meanings given to them in the Loan Agreement.

B. The Loans are evidenced respectively by three notes dated April 27, 2007 made by Borrower and payable to the order of Lender, as follows: (a) Term Loan Note in the principal amount of \$22,000,000.00, (b) Non-Revolver Note in the principal amount of \$5,000,000.00, as amended by the Note and Loan Document Modification Agreement and Note Allonge, both dated July 19, 2007, increasing the principal amount thereof to \$6,800,000.00 (the "Non-Revolver Note"), and (c) Revolver Note in the principal amount of \$6,000,000.00 (collectively, the "Notes").

C. The Notes and all other obligations of Borrower to Lender are secured by (among other things) a Credit Line Deed of Trust dated April 27, 2007 from Borrower to Al P. Saufley, II and Larry E. Powell, as Trustees, for the benefit of Lender, recorded among the Land Records of Albemarle County, Virginia, as amended (the "Deed of Trust"), the Security Agreements, Environmental Indemnity Agreement, and the Pledge Agreements, as such terms are defined in the Loan Agreement.

D. The Loans and all other obligations of Borrower to Lender are guaranteed by a Guaranty and Subordination Agreement dated April 27, 2007 from each of the Guarantors in favor of Lender, as confirmed and modified pursuant to the Note and Loan Document Modification Agreement dated July 19, 2007 (the "Guaranties" or "Guaranty Agreements").

E. This Agreement, the Notes, Loan Agreement, Deed of Trust, Guaranties, the Security Agreements, Environmental Indemnity Agreement, the Pledge Agreements, the New Note (as hereinafter defined), the Fuel Deed of Trust (as hereinafter defined), the security instruments and



liens on the assets and accounts receivable of the Farm Shop, the security instruments and financing statements evidencing the lien on the Jewelry and Statue (as hereinafter defined), and all other documents, instruments, or agreements executed to further evidence or secure the Loans, and any refinancings, renewals, amendments, extensions or modifications thereof or substitutions therefor, all as amended hereby are collectively referred to as the "Loan Documents".

F. Borrower is currently in default of its obligations pursuant to the Loan Documents, including but not limited to default under financial covenants and failure to timely make payments as delineated on Schedule F to this Agreement (all such delineated defaults are collectively referred to herein as the "Existing Defaults").

G. Borrower submitted to Lender an Application for Restructuring, and subsequently amended such Application for Restructuring, which Application as originally submitted and as amended has been formally denied by Lender.

H. In accordance with the Farm Credit Act of 1971, as amended (the "Act") and accompanying regulations of the Farm Credit Administration (the "Regulations"), an appeal of such formal denials is pending before the Lender's Credit Review Committee (the "Pending Appeal"). By execution of this Agreement, Borrower requests that the Pending Appeal be withdrawn and acknowledges that this Agreement fully satisfies Borrower's request for a restructuring under the Act and Regulations.

I. Borrower has represented to Lender that it has investors who are interested in acquiring Borrower or equity interests in Borrower, but that the Existing Defaults and Pending Appeal are impediments to attaining such investment capital.

J. To allow time for Borrower to obtain such investment capital, the parties have agreed to a period of cooperation supported by restructure of the Loans and additional funding to facilitate operations of Borrower, and if such efforts are not successful as provided in this Agreement, to the appointment of a Chief Restructuring Officer as herein provided.

NOW THEREFORE, for valuable consideration, Borrower, each Guarantor and Lender (referred to individually as a "Party" and collectively as the "Parties") agree as follows:

1. Loan Maturity and Cooperation Period.

1.1. Maturity Date. Subject to Section 1.6, the maturity dates of the Loans and Notes are modified and amended to January 1, 2010. Borrower agrees to execute and deliver Allonges to the Notes to evidence such modifications, and Guarantors agree to execute and deliver such consents to such modification as Lender may reasonably require to evidence that the Guaranty Agreements secure the Loans and Notes as so modified.

1.2. Cooperation Period. It is the intention of the Parties to work cooperatively to facilitate continued operations of Borrower on a commercially reasonable basis in keeping with the business plan set forth in Schedule 1 (as such Schedule may be adjusted or modified in accordance

with this Agreement), to allow Borrower the possible opportunity to consummate a Strategic Transaction, as defined in Section 1.5 below, during the Cooperation Period, all as more particularly provided in this Agreement. The “Cooperation Period” is the period from the date of this Agreement until the earlier of January 1, 2010 or the termination of this Agreement pursuant to Section 6.

Borrower has prepared Schedule 1 as its business plan to set forth its funding requirements and plan of expenditures for the Cooperation Period. All funds of Borrower, whether cash receipts, advances under the New Note or funds otherwise available to Borrower, shall be applied by Borrower to payment of operating expenses in accordance with Schedule 1 (as such Schedule may be adjusted or modified in accordance with this Agreement). Borrower shall, during the Cooperation Period, pay all of its debts and obligations as and when due, prior to delinquency, on a cash basis or on payment terms as reflected in Appendix A to Schedule 1 in the form attached hereto on the date hereof or as such Schedule 1 may be adjusted or modified in accordance with the process outlined below. At all times, Borrower shall be permitted to make payments and expenditures within the categories of expenditures set forth on Schedule 1 hereto (as such Schedule may be adjusted or modified in accordance with the process outlined below). Borrower shall be permitted to modify and adjust Schedule 1 based on operating results of the Borrower, and shall provide Lender with a copy of updated Schedule 1 on the 15th day of each calendar month during the Cooperation Period, highlighting the changes made with an explanatory footnote. In addition, Borrower shall provide written notice to Lender, which notice shall include full detail as to any proposed changes thereto, in advance of any change or adjustment to Schedule 1 that would result in (a) additional capital expenditures not shown on Schedule 1 in the form attached to this Agreement on the date hereof, (b) any deferral of operating expenditures which are attributable to business operations prior to the date of this Agreement or during the Cooperation Period and which have not previously been shown on Schedule 1 in the form attached to this Agreement or which have previously been shown on Schedule 1 in the form attached to this Agreement as being paid during the Cooperation Period, or (c) use of funds for any purpose that does not fall within any of the categories of expenditures set forth on Schedule 1 in the form attached to this Agreement with respect to Borrower’s operations. Lender shall be afforded five Business Days in which to review, in advance, and object to such adjustments to Schedule 1 by written notice to Borrower. Modifications to Schedule 1 requiring Lender’s prior consent shall not take effect until after expiration of Lender’s review period without an objection, or until after resolution by written agreement of the Parties as to any objection timely made. Without limitation, Borrower and Guarantors agree and acknowledge that (i) Borrower’s failure to pay its debts and obligations as and when due, on a cash basis or on approved terms, as required above, and (ii) any action of the type set forth in clauses (a), (b) or (c) above that is taken without the prior consent of Lender, in accordance with the procedure set forth above, shall constitute a default under this Agreement. Borrower and Guarantors understand and agree that Lender’s lack of objection to any adjustment to Schedule 1 does not in any way constitute consent (explicit or implied) to advance of additional funds to Borrower in excess of the maximum principal amount of the New Note as set forth in Section 3.1 or limit in any way Borrower’s obligation to pay its obligations as provided above.

1.3. Exercise of Remedies during Cooperation Period. Lender agrees that, during the Cooperation Period, Lender will refrain from (i) demanding repayment of any amount due under the Loan Documents, except as expressly contemplated in this Agreement, (ii) exercising any rights




it may have to accelerate the Loans or foreclose pursuant to the Deed of Trust and Security Agreements, or (iii) exercising any other rights and remedies pursuant to the Loan Documents (other than this Agreement), Guaranty Agreements or otherwise as to the Existing Defaults or other defaults existing under the Loan Documents as of the date hereof which are not identified as Existing Defaults and which are cured after notice as provided in Section 8.3 below. Accordingly, Borrower and Guarantors agree that during the Cooperation Period, they shall be obligated to comply with all covenants in the Loan Documents with the exception of (a) the financial covenants set forth in Section 6.3 of the Loan Agreement, (b) the delivery of Borrowing Base Certificates pursuant to Section 6.2(b) of the Loan Agreement (except as expressly required herein in connection with a Strategic Transaction), and (c) those payment obligations which are deferred during the Cooperation Period as expressly provided herein. Borrower and Guarantors agree that, at the end of the Cooperation Period (subject to Section 1.6), Lender shall have and may exercise all rights and remedies under the Loan Documents with regard to the Existing Defaults, without the requirement for any demand, presentment, protest or notice of any kind, all of which Borrower and Guarantors hereby waive. Notwithstanding the foregoing, Lender agrees that if the Cooperation Period is not terminated prior to January 1, 2010 in accordance with Section 6 hereof (subject to Section 1.6), it will not deliver any notices of default under the Loan Documents other than this Agreement or notice of foreclosure or commence advertising a foreclosure sale until after February 28, 2010. Nothing in this Agreement limits or impairs in any way the rights and remedies of Lender with respect to any Event of Default as defined herein.

1.4. Information Rights.

1.4.1. Information Officer. During the Cooperation Period, Lender shall be entitled to designate an individual (the "Information Officer") to observe and report to Lender the operations of Borrower, on site, at such times as Lender requests, and shall have full access to all Borrower's business and financial records, including without limitation, checkbooks and bank records, and to have "read only" access or passcodes to Borrower's internal websites used by Borrower for vineyard and inventory control or for any other purpose. In addition, the Information Officer shall have the authority to inspect and inventory all of the Collateral, attend staff and corporate meetings, and review and reconcile business records, bank records, ledgers and reports of Borrower. The Information Officer shall have no decision-making authority with respect to the operations of Borrower, but rather is an on-site inspector and observer of Borrower's business activities. Lender hereby designates P. Michael Kain of VCF Advisors, LLC, a Virginia limited liability company, and other employees and agents of VCF Advisors, LLC acting under his supervision, to act as Information Officer. In the event the Information Officer resigns from its duties hereunder, or Lender desires to replace the Information Officer for any reason, Borrower and Guarantors may, upon reasonable cause shown, withhold consent to the replacement selected by Lender within two business days after receipt of written notice from Lender of its proposed designee; provided, however, that if Borrower or Guarantors withhold consent to two replacements suggested by Lender, then Lender may appoint a replacement Information Officer without any right of review or consent by Borrower or Guarantors. The Information Officer shall automatically

become the CRO as provided in Section 2 below, and any replacement of the CRO shall be governed by the same process and limitations set forth in the preceding sentence.

1.4.2. Monthly Financial Reporting. Within ten (10) days following the end of each calendar month commencing with the calendar month ending April 30, 2009, Borrower shall provide to the Information Officer and Lender: (a) internally prepared financial statements, including balance sheet, income statement, profit and loss statement, and cash flow statement (showing monthly, quarterly and year to date figures – each shown separately), which financial statements shall be prepared in accordance with GAAP, consistently applied, in form and substance reasonably acceptable to Lender in its discretion; and (b) sales reports indicating the volume sold by product, price by product, cash receipts and customers for all sales in the preceding calendar month; (c) inventory reconciliation with the sales data, indicating the current location and volume of inventory within each product class and vintage as of the end of such calendar month; and (d) such other reporting the Lender or the Information Officer deems reasonably necessary and appropriate. All such reports shall be signed and certified by Borrower's chief financial officer as true, correct and complete in all material respects, and shall otherwise comply with the requirements of Section 6.2(a) of the Loan Agreement.

1.4.3. Year-End Financial Reporting. Borrower shall deliver to the Information Officer and Lender, prior to June 1, 2009, the annual, audited financial statements and supporting documentation of Borrower as required under Section 6.2(a)(i) of the Loan Agreement, excluding the requirement for certification of no default as to (a) the Existing Defaults, and (b) any other default expressly permitted by this Agreement.

1.4.4. Winery Reports. Borrower shall deliver to Information Officer and Lender, concurrently with filing with the appropriate governmental authorities, copies of all excise tax returns, statements of operations and other periodic reports pertaining to Borrower's business operations, inventory, bottling activity or sales volume.

1.4.5. Guarantors' Financial Statements. Guarantors shall deliver to Lender, prior to June 1, 2009, financial statements of Guarantors evidencing Guarantors' financial condition as of the date thereof and otherwise in compliance with the requirements of Section 6.2(a)(ii) of the Loan Agreement, excluding the requirement for certification of compliance with the liquidity covenant under the Loan Agreement. In addition, Guarantors agree to deliver to Lender such financial statements of Guarantors on or before March 1, 2010 with respect to the calendar year ending December 31, 2009.

1.4.6. Survival. Paragraphs 1.4.2, 1.4.3, 1.4.4, and 1.4.5 above shall survive termination of this Agreement due to an Event of Default.

1.5. Strategic Transaction. As used herein, the term "Strategic Transaction" means:

(a) the closing of one or more transactions together involving the sale of all or substantially all of the assets of Borrower or the sale of all or substantially all of the equity interests in Borrower, and the concurrent payment of all outstanding obligations of Borrower to Lender under this Agreement, the New Note, the Notes and the Loan Documents prior to the end of the Cooperation Period; or

(b) the closing of one or more transactions involving the sale of a percentage of the equity interests in Borrower to an unaffiliated third party or parties which together satisfy the following minimum criteria:

(i) funds the concurrent payment to Lender prior to the end of the Cooperation Period of (A) all of the Borrower's obligations to Lender under the New Note, (B) all installment payments, expense reimbursements and other sums which are due and payable from Borrower to Lender under this Agreement, the Notes, or the Loan Documents as of the date hereof through and including the date of such Strategic Transaction closing, (C) all accrued but unpaid interest with respect to the Loans through and including the date of such Strategic Transaction closing, (D) any payments which are delinquent or due with respect to the Notes, the Loans or the Loan Documents as of the date of closing of the equity purchase, and (E) any other sums necessary to bring all obligations of Borrower to Lender current, including without limitation any payment necessary to bring the outstanding principal balance of the Revolver Note into compliance with the Borrowing Base requirements of the Loan Agreement, based upon a Borrowing Base Certificate delivered in compliance with the requirements of the Loan Agreement at least five Business Days in advance of the date of closing of the Strategic Transaction; and

(ii) provides at least Twelve and One Half Million Dollars (\$12,500,000) of liquid capital to Borrower to fund Borrower's operations going forward, after payment of the amounts to Lender under subparagraph (i) above and after payment of the deferred salary as permitted under Section 4.7 below (or such lesser amount of liquid capital as may be agreed by Lender in its absolute discretion); and

(iii) except as permitted under Section 4.7, does not provide for any payment to Guarantors of any sum (for equity or debt) prior to satisfaction and payment in full of all obligations of Borrower and Guarantors to Lender, including without limitation, payment of all principal, interest, expenses, reimbursements and other sums due under the Notes, the New Note, this Agreement and the other Loan Documents; and

(iv) terminates unless fully consummated, closed and fully funded prior to the end of the Cooperation Period.

Borrower and Guarantors have represented to Lender that there are potential purchasers and investors having interest, and that consummation of a Strategic Transaction may occur within a matter of

months. Borrower and Guarantors acknowledge and agree that the Cooperation Period is the time period requested by them to facilitate consummation of a Strategic Transaction, and that there exists no contractual, equitable or other right or expectation on the part of Borrower or Guarantors as to continued cooperation by Lender with regard to any Strategic Transaction beyond the Cooperation Period. If a Strategic Transaction is not consummated, closed and fully funded prior to the end of the Cooperation Period, for any reason or reasons whatsoever, Borrower and Guarantors expressly acknowledge and agree that they have no rights to an extension or to further cooperation from Lender to facilitate continued efforts with respect to any Strategic Transaction, whether then in process or otherwise. This includes any contracts pending at the end of the Cooperation Period, which must expressly provide by their terms for automatic termination upon termination of this Agreement or end of the Cooperation Period.

1.6. Closing of Strategic Transaction. Upon consummation and closing of a Strategic Transaction during the Cooperation Period, including payment to Lender of the amounts required above so that the New Note is paid in full and all other obligations of Borrower to Lender are brought current as of that time, this Agreement will terminate, and the maturity date of the Notes shall revert to the maturity date in effect prior to this Agreement, the interest rates of the Notes shall revert to the non-default rates, all Existing Defaults and any other defaults existing under the Loan Documents other than defaults under this Agreement for which notice has been given and which remain uncured (including, without limitation defaults occurring as a result of (a) non-compliance with the financial covenants set forth in Section 6.3 of the Loan Agreement during the Cooperation Period, (b) the failure to deliver Borrowing Base Certificates pursuant to Section 6.2(b) of the Loan Agreement during the Cooperation Period except as herein required in connection with a Strategic Transaction closing, and (c) the failure to make those payment obligations which had previously been deferred during the Cooperation Period and are paid upon the consummation of such Strategic Transaction) shall be deemed waived by Lender, and the security interests granted to Lender pursuant to Sections 3.4 (as to Jewelry) and 3.5 (as to "Fuel" property) below shall be released. Lender hereby agrees to execute and deliver any and all further instruments and documents and take such further action as the Borrower may reasonably request to effectuate, or reflect of public record, such release. Borrower agrees to execute and deliver any and all further instruments and documents and take such further action as the Lender may reasonably request to effectuate or reflect reinstatement of the terms of the Loan Documents (including but not limited to Note Allonges to reinstate the maturity dates of the Loans). Upon termination of this Agreement following closing of a Strategic Transaction during the Cooperation Period as herein provided, Borrower shall thereafter be obligated to pay and perform its obligations under the Notes and Loan Documents including, without limitation, all financial covenants therein, except that (a) such Strategic Transaction shall not constitute a default under the "change in control" covenant set forth in Section 6.4(a) of the Loan Agreement so long as the provisions pertaining to Sanctioned Persons and Sanctioned Countries are not violated, and (b) the liquidity covenant of Guarantors set forth in Section 6.3(a) of the Loan Agreement shall be deemed modified to be a joint liquidity covenant of Borrower and Guarantors (provided, that funds on deposit with a financial institution to which Borrower and/or Guarantors have outstanding obligations for borrowed money shall not be counted in determining liquidity under such covenant) as to which the liquid capital referenced in Section 1.5(b)(ii) shall count toward satisfaction of such covenant.

2. **Chief Restructuring Officer.** Upon expiration or termination of the Cooperation Period (except in the case of termination of the Cooperation Period by virtue of the closing of a Strategic Transaction), the Information Officer shall automatically, without further instruction hereunder, become the Chief Restructuring Officer ("CRO") of the Borrower for the period commencing at the end of the Cooperation Period and ending on the earlier of: (a) payment and satisfaction of all of Borrower's and Guarantors' obligations to Lender under the Notes, the New Note, this Agreement and the other Loan Documents, or (b) the sale of substantially all of the assets of Borrower following maturity or acceleration of the Loans and lawful exercise by Lender of its foreclosure and other rights and remedies pursuant to the Loan Documents. The CRO shall have the mission and all of the powers described in Exhibit A attached hereto and made a part hereof. The mission and primary objective of such appointment shall be the restructure of operations and management of Borrower to minimize cash flow demands and losses while preserving and protecting the Collateral held by Lender to allow for marketing and orderly liquidation of the assets of Borrower pursuant to Lender's rights and remedies. The Parties acknowledge that they do not expect or anticipate positive cash flow to be generated from operations under Borrower's management or under the CRO and that, without the consummation of a Strategic Transaction, operating losses will most likely continue to accrue, which losses are anticipated to be substantial even under Borrower's own projections. It is intended by the Parties that the CRO will restructure operations to minimize cash flow demands for on-going operations, including but not limited to liquidation of inventory to generate short-term cash flow, and that minimizing cash flow demands is a paramount concern outweighing preservation of long-term value, branding or other considerations. This paragraph shall survive termination of this Agreement.

3. **Additional Funding and Security.** The Parties agree that sufficient cash flow cannot be generated through commercially reasonable and responsible sale of inventory consistent with the current business plan set forth on Schedule 1 hereto, and therefore, Lender commits to make additional funding available to fund necessary operating expenses of Borrower consistent with the funding requirements set forth on Schedule 1 hereto (as such Schedule may be adjusted or modified in accordance with Section 1.2 above), so long as this Agreement remains in effect and no Event of Default under this Agreement has occurred, upon and subject to the terms and conditions of this Agreement including but not limited to the following:

3.1. **New Note.** Borrower shall execute and deliver a promissory note payable to the order of Lender evidencing a non-revolving line of credit in the maximum principal amount of Five Million Dollars (\$5,000,000.00), having a maturity date of January 1, 2010, which note shall include a confession of judgment provision and otherwise be acceptable to Lender in form and substance (the "New Note"). Advances under the New Note shall bear interest at the rate of 30-day Libor plus six percent (6%) per annum (adjusted monthly on the first day of each month), and at a default rate three percentage points (3%) higher upon the occurrence of an Event of Default under this Agreement. Advances under the New Note shall be made in accordance with the funding requirements of Borrower as set forth in a funding request to Lender on or before the 15th day of each calendar month as to the next month, which request must include a copy of Schedule 1 as then in effect as provided in Section 1.2 above, and net out cash on hand as of the date of such request (the 15th of such month) which exceeds Eighty-seven Thousand Five Hundred Dollars (\$87,500.00), with funding by wire transfer to occur on the 1st Business Day of each month for such month, subject to

the conditions that: (a) Lender shall have no obligation to make further advances upon the occurrence of an Event of Default under this Agreement or an event or circumstance that with notice or the passage of time or failure to cure within any applicable cure period would constitute an Event of Default under this Agreement, (b) total advances shall not exceed the amount of One Million Dollars (\$1,000,000.00) plus the amount paid to Lender under Section 4.3 below until such time as Lender has received the appraisals, title insurance policy and environmental site assessment contemplated by Sections 3.3 and 3.4 below, and (d) total advances shall not exceed sixty percent (60%) of the aggregate appraised value of the assets pledged pursuant to Section 3.3, Section 3.4 and Section 3.5 below as determined by such appraisals. No advances under the New Note will be made until such time as the New Note and all of the security documents and other instruments contemplated by this Section 3 have been executed and delivered to Lender, and all steps necessary to perfect the liens granted to Lender under Sections 3.2, 3.3, 3.4 and 3.5 have been taken (including but not limited to recordation of the deed of trust amendment in the appropriate land records, filing of the UCC financing statement as to the Statue, and Lender's possession of the Jewelry).

3.2. Amendment to Security Documents. Borrower and Guarantors shall execute and deliver such modifications and amendments to the Deed of Trust, Security Agreements and other Loan Documents as Lender may reasonably require to effect the terms of this Agreement and to ensure that the New Note is secured thereby, including but not limited to (a) an amendment to the Guaranties to evidence the guarantee of the New Note in addition to existing indebtedness, and (b) the recordation of an amendment to the Deed of Trust increasing the maximum principal amount secured thereby to include (i) the maximum principal amount of the New Note, and (ii) the amount of all protective advances, fees, expenses and other sums outstanding under the terms of the existing Loan Documents. In addition, Borrower shall execute and deliver such security documents and control agreements as Lender requests to grant and evidence a first-priority, perfected lien in favor of Lender as to any and all accounts established by Borrower and, if appointed, the CRO in connection with operations of Borrower.

3.3. Statue. As security for all advances made under the New Note and all other obligations of Borrower to Lender, Guarantors shall execute and deliver a security agreement and UCC financing statement evidencing the first-priority, perfected lien of Lender in the Pascal "Seated Torso" statue situated in the museum building on Borrower's property (the "Statue"). Lender, in consultation with Borrower, will obtain a new appraisal of the fair market value of this Statue (which appraisal shall assume a marketing period of no more than nine months), at Borrower's expense to be funded out of the New Note. Lender will request that the appraiser execute and deliver a confidentiality agreement as part of such engagement.

So long as no Event of Default has occurred, Lender agrees to release such Statue to allow it to serve as security for third-party financing from a regulated, institutional lender or other lender reasonably acceptable to Lender, subject to: (a) the condition that such release would not cause the outstanding balance of the New Note plus the advances contemplated hereunder through the term of this Agreement to exceed sixty percent (60%) of the aggregate appraised value of the assets pledged pursuant to Section 3.4 and Section 3.5 below as determined by the appraisals, (b) the third-party lender's commitment to lend to Borrower more than sixty percent (60%) of the appraised value of such Statue, (c) deposit of all proceeds of such third-party financing into the operating account which

is subject to Lender's first-priority lien under Section 3.2 above and use of such funds solely and exclusively to fund operations of Borrower consistent with this Agreement and Schedule 1 hereto (as such Schedule may be adjusted or modified in accordance with Section 1.2 above), (d) cessation of advances under the New Note until such time as such lender's commitment has been fully funded and applied by Borrower to its operating expenses as herein provided, and (e) delivery to Lender of an acceptable intercreditor agreement which protects the interests of Lender with regard to the timing and manner of removal of such Statue (including but not limited to an obligation for the third party lender to immediately repair all damage to the building and improvements resulting from such removal and to post a bond or letter of credit in favor of Lender as security for such repair obligations in advance of any action to remove the Statue from the premises).

3.4. Jewelry. As security for all advances made under the New Note, and all other obligations of Borrower to Lender, Guarantors shall execute and deliver a security agreement evidencing the first-priority, perfected lien of Lender in and to the jewelry identified on Exhibit B (the "Jewelry"). The Jewelry shall be placed in a safe deposit box in the possession of Lender at a commercial bank mutually acceptable to Guarantors and Lender, or other location mutually acceptable to Guarantors and Lender. Lender, in consultation with Borrower, will obtain appraisals of the Jewelry, at Borrower's expense to be funded out of the New Note (which appraisal shall assume a marketing period of no more than six months). Lender will request that the appraiser execute and deliver a confidentiality agreement as part of such engagement. Upon occurrence of an Event of Default hereunder, Borrower and Guarantors acknowledge and agree that no marshaling of this or other collateral will be required, which agreement shall survive termination of this Agreement. The security agreement pledging the Jewelry will provide that Guarantors are entitled to written notice from Lender of at least one hundred twenty (120) calendar days in advance of sale of the Jewelry pursuant to Lender's rights, which notice Guarantors acknowledge will satisfy any right of Guarantors to notice of foreclosure and sale of the Jewelry under the Uniform Commercial Code.

3.5. Fuel Property. As security for all advances made under the New Note, and all other obligations of Borrower to Lender, Guarantors shall cause KM Realty, LLC (of which Guarantors are the sole owners) to execute and deliver, a credit line deed of trust (the "Fuel Deed of Trust") granting to Lender a first-priority lien on the former "Fuel" restaurant and real estate in Charlottesville, Virginia (being Charlottesville tax parcel 530293000) (the "Fuel Property"). KM Realty, LLC shall deliver evidence that it is a limited liability company in good standing in conjunction with such grant. Such Fuel Deed of Trust shall facilitate advances up to Seven Hundred and Fifty Thousand Dollars (\$750,000.00) under the New Note, subject to Section 3.1 above. Within thirty (30) days of the execution of this Agreement, Guarantors shall obtain a title insurance policy which is acceptable to Lender. Guarantors shall also provide access to the Fuel Property to Lender and/or its designee in order for there to be an environmental site assessment of the Fuel Property, which will be obtained at Borrower's expense to be funded out of the New Note. In the event the results of the phase one environmental site assessment are not acceptable to Lender, no advances under the New Note will be made in reliance upon the Fuel Property unless otherwise agreed by Lender in its discretion. Borrower represents that the Fuel Property is currently being marketed for sale. Upon closing of any sale of the Fuel Property, \$750,000.00 shall be applied to the outstanding balance of the New Note and the remaining net sale proceeds will be deposited into a deposit account

upon which Lender has a first priority, perfected lien pursuant to a "control" agreement, and which affords Borrower or the CRO, as applicable, the right to withdraw funds from such account to fund expenses of operation and maintenance of the business and assets and Borrower in keeping with this Agreement, including but not limited to payments to Lender as provided in Section 4.3 below. Funds in such account shall be depleted prior to additional advances under the New Note. Any funds in such account upon expiration or termination of this Agreement may be applied to repayment of the Loans and other obligations under the Loan Documents as provided in the Loan Documents.

3.6. Farm Shop. Guarantors shall grant to Lender a first-priority, perfected security interest and lien on all interest of Guarantors or any entity in which Guarantors have an interest in and to the assets and accounts receivable of the Farm Shop, as security for the New Note and all other obligations of Borrower to Lender, including filing of UCC financing statements. All such documents shall be in form and substance reasonably acceptable to Lender. All cash generated by operations of the Farm Shop shall be applied to its commercially reasonable costs of operation, with any and all excess cash flow being paid to Borrower as has been custom and practice of Borrower and Guarantors. Guarantors shall not accept nor receive, and hereby expressly subordinate to the Notes, the New Note and all other obligations of Borrower to Lender, all rights to collect or receive, any sum or cash generated by operations of the Farm Shop. Any sums received by a Guarantor in violation of this paragraph shall be held in trust for the benefit of Lender, and shall be immediately paid to Lender to be applied to Borrower's outstanding obligations to Lender.

3.7. Legal Opinion. Lender shall receive the opinion of Borrower's legal counsel as to the due authorization, execution, delivery and enforceability of this Agreement and the New Note and other instruments and agreements contemplated hereby, and the validity and perfection of Lender's lien in the collateral described above, in form and substance reasonably satisfactory to Lender.

4. Borrower's and Guarantors' Obligations. In addition to the obligations of Borrower and Guarantors under the Loan Documents and other provisions of this Agreement:

4.1. Cooperation. Borrower and Guarantors shall cooperate in good faith with the Information Officer and the CRO, if appointed, and shall not interfere with or impede their activities in keeping with this Agreement. This paragraph shall survive termination of this Agreement.

4.2. Lease. Guarantors will, within ten (10) Business Days after execution of this Agreement, deliver or cause the applicable landowner to deliver a written lease allowing continued use of the storage building used to house equipment of Borrower, which lease shall not provide for any rental payment and shall not be terminable by the landowner so long as Lender has a lien on any asset of Borrower which is housed in such building.

4.3. Payments. Borrower and Guarantors agree that Lender may, at Lender's option, make advances under the New Note in the amount of \$1,666,169.30 for purposes of paying all past due interest due under the Notes through February 28, 2009 in the amount of \$1,460,930.59, unused fees through December 31, 2008 in the amount of \$342.40, additional advance for Montgomery insurance (excess over availability under the Non-Revolver) in the amount of

\$8,582.31, late charges through February 28, 2009 in the amount of \$61,472.77, winery consultant fees through April 15, 2009 in the amount of \$35,504.22, consultant fees through March 31, 2009 in the amount of \$11,858.92, legal fees through March 31, 2009 in the amount of \$87,478.09 as well as advancing additional amounts under the New Note to pay expenses as set forth in Section 3. Lender agrees to defer payment of interest accruing under the Notes or the New Note for the period from March 1, 2009 going forward, until the earlier of the end of the Cooperation Period or an Event of Termination (as hereinafter defined). All accrued interest under the Notes and the New Note which is deferred under this paragraph shall be paid at the time of closing a Strategic Transaction.

4.4. Legal Fees. Borrower and Guarantors agree, jointly and severally, to pay to Lender the reasonable and documented legal fees of Lender's counsel for the preparation of this Agreement and related matters; provided that Lender shall not be authorized to unilaterally advance such sums under the New Note during the Cooperation Period. This paragraph shall survive termination of this Agreement.

4.5. Information Officer and CRO Fees. Borrower and Guarantors agree, jointly and severally, to pay all costs and fees of the Information Officer and CRO, if appointed, and their respective agents (including but not limited to the winery and vineyard consultant retained by Lender to advise Lender and such persons); provided, that Lender shall not be authorized to unilaterally advance such sums under the New Note during the Cooperation Period. This paragraph shall survive termination of this Agreement.

4.6. Dividends and Related Party Debt. Borrower shall not declare or pay any dividends or distributions during any fiscal year, nor shall Borrower redeem or repurchase any interests therein. Borrower shall not incur or make payments on any related party debt, and the last sentence of Section 6.4(g) of the Loan Agreement is deleted to make it clear that no payments on the existing debt of Borrower to Guarantors, all of which are subordinated to the Loans, are permitted so long as any obligation of Borrower to Lender remains outstanding. Guarantors acknowledge and agree to such restriction on payments, and agree not to accept any payment from Borrower in violation of this paragraph. This paragraph shall survive termination of this Agreement.

Notwithstanding anything contained in this Section 4.6 or the Loan Documents to the contrary, Guarantors shall be entitled to reimbursement for (a) the cash sums advanced to Borrower by Guarantor to cover expenses identified on Schedule 1 and incurred between April 1, 2009 and the date hereof, not to exceed Three Hundred Sixty Thousand Dollars (\$360,000.00) plus the amount of delinquent real estate taxes to be paid concurrently with this Agreement, and Borrower shall be authorized to borrow such sums under the New Note during the Cooperation Period for the purpose of making such reimbursement to Guarantors and (b) any retroactive payments of salary pursuant to Section 4.7 below.

4.7. Salary of Guarantors. Borrower shall not pay, and Guarantors shall not accept, any salary or other compensation for services rendered to or employment by Borrower for so long as this Agreement remains in effect; provided, however, that the salary of each Guarantor shall accrue from April 1, 2009 through and including the date of the closing of a Strategic Transaction in the amount of Twenty-Six Thousand Dollars (\$26,000.00) per month and such accrued amount shall be

paid to each Guarantor on the closing date of such Strategic Transaction on a retroactive basis from the proceeds of such Strategic Transaction.

5. **Non-Waiver.** Except as set forth in Section 1.6 above, nothing in this Agreement constitutes or shall be construed as: (a) a waiver by Lender of (i) any breach or default by the Borrower or Guarantor under any or all of the Loan Documents, including the Existing Defaults as to which Lender has herein agreed to refrain from exercise of any lawful remedies as herein provided; (ii) any of Lender's rights or remedies in connection with any of the Loans, subject to Lender's agreements to refrain from exercise of any lawful remedies as to the Existing Defaults as herein provided, or (iii) any of the provisions of the Loan Documents; or (b) a cure of any breach or default by the Borrower under the Loan Documents. Notwithstanding the foregoing, during the Cooperation Period, Lender hereby waives compliance by Borrower and Guarantors with (a) the financial covenants set forth in Section 6.3 of the Loan Agreement, (b) the requirement to deliver Borrowing Base Certificates pursuant to Section 6.2(b) of the Loan Agreement and (c) those payment obligations which are deferred during the Cooperation Period as expressly provided herein. Borrower and Guarantors acknowledge and agree that interest on the Loans shall accrue at the default rate of interest payable under the Loan Documents, notwithstanding this Agreement.

6. **Termination.** Lender shall have the right to terminate its obligations under the terms of this Agreement as provided below, upon the earliest to occur of any of the following events (each, an "Event of Termination"):

6.1. The consummation of a Strategic Transaction (as such term is defined in section 1.5 above);

6.2. February 28, 2010 (provided that, for sake of clarity, the occurrence of such date does not constitute an Event of Termination unless and until notice of termination is delivered by Lender as herein provided);

6.3. The occurrence of an Event of Default (as such term is defined in Section 8 below); or

6.4. Any material misrepresentation made by any Borrower or any Guarantor in connection with this Agreement or any report hereafter furnished to Lender pursuant to this Agreement or the Loan Documents.

Upon an Event of Termination, Lender shall have no obligation to make further advances under the New Note, and shall have the right to terminate by written notice to Borrower all other obligations of Lender pursuant to this Agreement with respect to forbearance, waiver, cooperation and otherwise, excepting only as provided in Section 1.6 with respect to an Event of Termination triggered under Section 6.1 above by consummation of a Strategic Transaction. No termination of this Agreement, except pursuant to Section 6.1 above to the extent provided in Section 1.6 above, shall impair Lender's rights or remedies under this Agreement, the term of the CRO as provided in Section 2, or Borrower's obligations stated to survive termination hereof.

7. **Representations and Warranties.** In order to induce Lender to enter into this Agreement, Borrower represents and warrants to Lender as to itself, and each Guarantor represents and warrants to Lender as to himself or herself, and as to Borrower, as follows:

7.1. **Due Authorization.** This Agreement and the New Note, and all other documents and instruments delivered pursuant to or in connection with this Agreement, have been duly authorized, executed and delivered by the Borrower and each Guarantor, as applicable.

7.2. **Binding Obligations.** This Agreement and the other Loan Documents to which Borrower or Guarantor is a party constitute legal, valid and binding obligations of Borrower or such Guarantor, as the case may be, enforceable in accordance with their respective terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency and similar laws of general application affecting the rights and remedies of creditors generally and by general principles of equity.

7.3. **No Defenses.** As of the date hereof, neither the Borrower nor any Guarantor has any defenses, affirmative defenses, setoffs, claims, counterclaims, actions, or causes of action of any kind or nature whatsoever against Lender or any of its past or present, directors, officers, employees, agents, attorneys, legal representatives, predecessors, affiliates, successors, or assigns, directly or indirectly, arising out of, based upon, or in any manner connected with any transaction, event, circumstance, action, failure to act, or occurrence of any sort or type, whether known or unknown, which occurred, existed, was taken, permitted, or begun prior to the execution of this Agreement or which occurred, existed, was taken, permitted, or begun in accordance with, pursuant to, or by virtue of any of the Loans or any of the terms of any of the Loan Documents, or which directly or indirectly relates to or arises out of, or in any manner is connected with, the Loans or any or all of the Loan Documents, or any part thereof.

7.4. **Financial Information.** All financial statements and information now and heretofore delivered by Borrower or Guarantor to Lender, as of the date thereof: (i) are true, correct and complete in all material respects; (ii) do not contain any untrue statement of material fact; and (iii) do not omit any fact necessary to make the information contained therein not misleading in any material respect.

7.5. **Litigation.** Except as disclosed on Schedule 7.5 attached hereto, there is no litigation, at law or in equity, nor any proceeding before any federal, state, or other governmental or administrative agency or any arbitrator pending or, to the best knowledge of Borrower or Guarantors, threatened against Borrower, nor any other litigation or proceeding pending or, to the best knowledge of Borrower or Guarantors, threatened which would affect Lender's security for the Loans.

7.6. **Compliance with Laws.** Except as disclosed on Schedule 7.6 attached hereto, Borrower is in compliance with all material laws, ordinances, rules and regulations of all governmental entities (and all agencies, bodies and subdivisions thereof) affecting its business and the ownership, use, or operation of its property, other than such noncompliance as in the aggregate would not reasonably be expected to have a Material Adverse Effect, and Borrower has not received





any written notice of noncompliance from any such governmental entity with respect to its business operations or property.

7.7. No Breach of Other Agreements. Neither the execution nor delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement, nor the compliance with the terms and provisions hereof, (i) will constitute or result in a breach of Borrower's operating agreement, or a violation of any law, order, writ, injunction, or decree of any court or governmental department, commission, board, bureau, agency, or instrumentality applicable to Borrower, or (ii) will conflict with, or will result in any breach of, any of the terms, covenants, conditions, or provisions thereof, or (iii) will constitute a default under any Material Agreement to which Borrower or any Guarantor may be bound or subject, other than the Loan Documents to the extent expressly permitted hereby.

7.8. Borrower and Guarantor Benefitted. Borrower and Guarantors have derived direct benefits from this Agreement and the transactions contemplated by this Agreement.

7.9. Other Documents. All documents, reports, certificates and statements furnished to Lender by or on behalf of Borrower or any Guarantor in connection with the transactions contemplated by this Agreement: (i) are true, correct, and complete in all material respects; (ii) do not contain any untrue statement of material fact; and (iii) do not omit any fact necessary to make the information contained therein not misleading in any material respect.

7.10. Taxes. All real property taxes, personal property taxes and other taxes, assessments, levies, license fees, permit fees and all other charges heretofore levied, assessed, confirmed, or imposed upon, or in respect of, or which might become a lien upon any collateral held by Lender with respect to the Loans have been paid in full, excluding only real property taxes for 2008 which are delinquent and will be paid by Borrower out of the first advance of the New Note.

8. Events of Default. The occurrence of any one or more of the following shall constitute an "Event of Default" under this Agreement:

8.1. Failure to Perform. If Borrower or any Guarantor fails to pay, observe or perform any of its obligations under this Agreement when due (including but not limited to failure to timely pay its expenses when due or on approved terms in accordance with and as required under Section 1.2 above), unless such failure is cured within five calendar days after written notice thereof from Lender to Borrower; provided, however that no notice or opportunity to cure shall apply to the failure by Borrower to (a) timely comply with financial reporting requirements as to which Borrower shall be afforded a five calendar-day grace period after the date specified for such reporting (but no notice or opportunity to cure such failure) or (b) pay to Lender all obligations due upon maturity of the Notes or the New Note; or

8.2. Failure to Cooperate. If Borrower or any Guarantor fails to cooperate in good faith with the Information Officer or the CRO; or

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8.3. Other Loan Defaults. If Borrower or any Guarantor defaults in payment or performance of any obligations under any of the Loan Documents to which Borrower or Guarantor is a party, which default is not cured within any cure period applicable thereto under the Loan Documents, other than (a) the Existing Defaults, (b) violation of financial covenants under Section 6.3 during the Cooperation Period, (c) failure to deliver Borrowing Base Certificates pursuant to Section 6.2(a) of the Loan Agreement except as herein required in connection with a Strategic Transaction closing, (d) any default under the Loan Documents which exists on the date hereof but is not delineated as an Existing Default, unless such default is cured within five calendar days after written notice thereof from Lender to Borrower or Guarantor, as the case may be, and (e) those payment deferrals as to the Loan Documents which are expressly permitted by this Agreement; or

8.4. Judgment. Entry of a judgment or judgments against Borrower or any Guarantor or any of their respective properties, in an aggregate amount in excess of \$1,000,000, which remains unpaid, unstayed, unbonded, undischarged, or undismissed for a period longer than thirty (30) days, or the filing of a lien against any of the collateral held by Lender as security for the Loans or the New Note (including but not limited to the Statue, Jewelry, Fuel Property), if such lien is not released within thirty (30) days after filing; or

8.5. Misrepresentation. If any representation or warranty made herein or in any report, certificate, financial statement or other instrument or document furnished in connection with this Agreement or contemplated hereby, shall prove to have been materially false or materially misleading on the date as of which it was made; or

8.6. Bankruptcy. If Borrower or any Guarantor shall: (i) make a general assignment for the benefit of creditors; (ii) file a voluntary petition or a petition or answer seeking reorganization or an arrangement with creditors or take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution, or liquidation statute or law, or make or file an answer admitting material allegations of a petition filed against it in any proceeding under any such law; (iii) fail to cause to be dismissed any bankruptcy proceedings commenced against it within sixty (60) days after commencement of the same; or (iv) have entered against it an order, judgment or decree of any court of competent jurisdiction approving a petition seeking reorganization of assets or appointing a receiver, trustee, or liquidator for any assets; or

8.7. Attachment. The levying of any execution or attachment or the institution of any foreclosure proceeding against any assets of Borrower or any Guarantor which is not dismissed or set aside within thirty (30) days, subject to the following exceptions: (a) institution of foreclosure proceedings as to the real estate known as Vineyard Estates in which Guarantors have an indirect interest shall not constitute an Event of Default, and (b) in the event of institution of foreclosure proceedings as to the deed of trust lien of Bank of America all or any portion of the "homestead" of Guarantors, Lender may (notwithstanding anything to the contrary in this Agreement) take such actions as it deems appropriate to preserve, protect, and foreclose upon those portions of its collateral which are situated on or materially and adversely impacted by such "homestead" foreclosure (including the lien on the vines and grapes situated on that portion of the "homestead" parcel which is leased by Borrower from Guarantors), and so long as neither Borrower nor Guarantors seek to delay, hinder, challenge or otherwise interfere in any way with the exercise of Lender's rights or

remedies in that regard, such foreclosure by Bank of America shall not constitute an Event of Default hereunder; or

8.8. Acceleration of other Indebtedness. The occurrence of any of the following with respect to any indebtedness of Borrower or any Guarantor (other than the indebtedness under the Loan Documents), or any other entity if such indebtedness is guaranteed by Borrower or any Guarantor: the commencement of legal action for collection of any such indebtedness against Borrower or any Guarantor; provided, however, that (a) upon commencement of any legal collection action against Guarantors by a third party lender, Lender shall have the right, notwithstanding anything to the contrary in this Agreement, to accelerate all obligations of Borrower under the Notes, New Notes and other Loan Documents (subject nonetheless to the forbearance terms of this Agreement as to exercise of remedies against Borrower) and institute legal collection action against either or both Guarantors, and (b) so long as Lender has the right to pursue collection of the Guaranties under clause (a) above, and neither Borrower nor Guarantors seek to delay, hinder, challenge or otherwise interfere in any way with the exercise of Lender's rights pursuant to the Guaranties in such event, such third-party collection action against Guarantors shall not constitute an Event of Default under this Agreement.

8.9. Failure to Pay Obligations. If Borrower shall fail to provide evidence on the first of day of each month to Lender demonstrating it has cash on hand to pay its expenses for such month as they become due in accordance with Schedule 1 (as such Schedule may be modified in accordance with Section 1.2); provided, however, that no such evidence shall be required as to any calendar month for which unused availability under the New Note is sufficient to satisfy all of Borrower's expenses for such month as they become due in accordance with Schedule 1..

FOR THE AVOIDANCE OF DOUBT, DURING THE TERM OF THIS AGREEMENT, THIS SECTION 8 SHALL SUPERSEDE AND REPLACE ARTICLE 7 OF THE LOAN AGREEMENT.

9. REMEDIES. WITHOUT LIMITING LENDER'S RIGHTS AND REMEDIES UNDER ANY OF THE OTHER LOAN DOCUMENTS OR APPLICABLE LAW, IMMEDIATELY UPON THE OCCURRENCE OF ANY EVENT OF DEFAULT AND THE DELIVERY OF NOTICE AS PROVIDED IN SECTION 6 ABOVE, (A) THE OBLIGATIONS AND AGREEMENTS OF LENDER UNDER THIS AGREEMENT SHALL TERMINATE, AND (B) LENDER SHALL HAVE THE RIGHT TO EXERCISE ANY AND ALL RIGHTS AND REMEDIES AVAILABLE TO IT UNDER THE LOAN DOCUMENTS AND APPLICABLE LAW. ALL RIGHTS AND REMEDIES AVAILABLE TO LENDER UNDER THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS AND APPLICABLE LAW MAY BE ASSERTED CONCURRENTLY, CUMULATIVELY, OR SUCCESSIVELY, FROM TIME TO TIME, AS LONG AS ANY INDEBTEDNESS OR OBLIGATIONS UNDER THE LOAN DOCUMENTS SHALL REMAIN UNPAID OR OUTSTANDING.

10. Amendments. This Agreement may be amended only by a written amendment, fully executed and delivered by the Parties.

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11. **Loan Documents Still in Force.** Other than as modified herein and in the documentation entered into in connection herewith, the Loan Documents are in full force and effect in accordance with their respective terms, remain valid and binding obligations of Borrower and Guarantors, as the case may be, and are hereby reaffirmed and ratified by the Parties, as amended and restructured hereby. The liens, security interests and assignments created by the Loan Documents are and continue to be valid, effective, properly perfected, enforceable and, except as otherwise expressly agreed to by Lender in writing, are hereby ratified and confirmed in all respects.

12. **No Waiver of Rights Under Loan Documents.** Subject to Section 1.6, neither the failure nor the delay by Lender to exercise its remedies, nor the acceptance by Lender of partial payments or any other partial performance (whether any of the foregoing is before or after the date of this Agreement), nor any provision of this Agreement (except to the extent expressly set forth herein), shall amend, modify, supplement, extend, delay, renew, terminate, waive, release or otherwise limit or prejudice Lender's rights and remedies or Borrower's or any Guarantors' obligations under the Loan Documents (including Lender's right to receive full payment of principal and interest as well as late charges, default rate interest, delinquent interest, attorneys' fees and expenses, and other charges to the extent provided in the Loan Documents), except that, without modifying or amending the Loan Documents, Lender agrees to refrain from exercise of any lawful remedies it may have with respect to the Existing Defaults, to the extent specifically provided in Section 1 above and to waive defaults under the Loan Agreement to the extent specifically provided in Section 5, subject, however, to the rights reserved in Sections 8.7 and 8.8 above. Nothing contained in this Agreement shall operate to prohibit, restrict or otherwise inhibit Lender from exercising any right or remedy it may have under the Loan Documents, except to the extent specifically provided in Section 1 and Section 5 above.

13. **NO DEFENSES; PENDING APPEAL.**

13.1. **BORROWER AND EACH GUARANTOR ACKNOWLEDGES AND AGREES THAT IT, HE OR SHE HAS NO DEFENSES OF ANY NATURE WHATSOEVER TO THE ENFORCEMENT OF ANY OR ALL OF THE LOAN DOCUMENTS, AND THAT THERE EXISTS NO CLAIMS, COUNTERCLAIMS OR OFFSETS AGAINST LENDER IN RESPECT OF THE LOANS, OR WHICH COULD BE ASSERTED AGAINST LENDER BY REASON OF ANY ACT, CONDUCT OR OMISSION OF LENDER, NOR SHALL THIS AGREEMENT GIVE RISE TO ANY SUCH DEFENSES, CLAIMS, COUNTERCLAIMS OR OFFSETS.**

13.2. **BORROWER ACKNOWLEDGES THAT THIS AGREEMENT IS OF CONSIDERABLE BENEFIT TO IT, AND CONSTITUTES AN AGREEMENT FOR RESTRUCTURE OF THE LOANS. BORROWER HAS VOLUNTARILY ELECTED TO WITHDRAW THE PENDING APPEAL OF THE DENIED APPLICATIONS FOR RESTRUCTURING, BECAUSE THIS AGREEMENT AFFORDS TO BORROWER ALL OF THE BENEFITS AND OPPORTUNITIES SOUGHT BY BORROWER UNDER THE DENIED APPLICATIONS FOR RESTRUCTURING. BORROWER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT FULLY SATISFIES ITS RIGHT TO**

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RESTRUCTURE THE LOANS TO WHICH BORROWER IS ENTITLED PURSUANT TO THE ACT AND THE REGULATIONS.

14. RELEASE OF CLAIMS AND WAIVERS.

14.1. RELEASE OF CLAIMS. EXCEPT AS EXPRESSLY SET FORTH IN SECTION 14.4 BELOW, BORROWER AND EACH GUARANTOR, FOR ITSELF, HIMSELF OR HERSELF, AND ON BEHALF OF THEIR RESPECTIVE AGENTS, EMPLOYEES, REPRESENTATIVES, AFFILIATES, PREDECESSORS-IN-INTEREST, HEIRS, SUCCESSORS, AND ASSIGNS (SUCH PERSONS AND ENTITIES OTHER THAN BORROWER AND GUARANTOR ARE REFERRED TO COLLECTIVELY AS THE "OTHER RELEASORS"), DOES HEREBY RELEASE, DISCHARGE AND ACQUIT LENDER, AND ITS OFFICERS, DIRECTORS, SHAREHOLDERS, AGENTS, EMPLOYEES, AND AFFILIATES, AND THEIR RESPECTIVE SUCCESSORS, HEIRS AND ASSIGNS (COLLECTIVELY, THE "RELEASED PARTIES"), OF AND FROM ANY AND ALL RIGHTS, CLAIMS, DEMANDS, OBLIGATIONS, LIABILITIES, INDEBTEDNESS, BREACHES OF CONTRACT, BREACHES OF DUTY OR ANY RELATIONSHIP, ACTS, OMISSIONS, MISFEASANCE, MALFEASANCE, CAUSES OF ACTION, PROMISES, DAMAGES, COSTS, LOSSES AND EXPENSES OF EVERY KIND, NATURE, DESCRIPTION OR CHARACTER, AND IRRESPECTIVE OF HOW, WHY, OR BY REASON OF WHAT FACTS, WHICH COULD OR MAY BE CLAIMED TO EXIST, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, LIQUIDATED OR UNLIQUIDATED, CLAIMED OR UNCLAIMED, WHETHER BASED ON CONTRACT, TORT, BREACH OF ANY DUTY, OR OTHER LEGAL OR EQUITABLE THEORY OF RECOVERY, EXISTING OR OCCURRING AS OF OR PRIOR TO THE EXECUTION OF THIS AGREEMENT, EACH AS THOUGH FULLY SET FORTH HEREIN AT LENGTH (COLLECTIVELY, THE "CLAIMS"), WHICH IN ANY WAY ARISE OUT OF, ARE CONNECTED WITH OR RELATE TO ANY OR ALL OF THE FOLLOWING: (A) THE LOANS OR THE ADMINISTRATION OF THE LOANS, AS WELL AS ANY ACTION OR INACTION OF THE RELEASED PARTIES OR ANY OF THEM WITH RESPECT TO ANY LOANS OR THE ADMINISTRATION THEREOF; (B) ANY OR ALL OF THE TRANSACTIONS WHICH ARE THE SUBJECT OF OR CONTEMPLATED BY ANY OR ALL OF THE LOAN DOCUMENTS; (C) THE PROPERTY SECURING ANY OF THE LOANS; OR (D) ANY FACT, MATTER OR TRANSACTION EXISTING OR OCCURRING AS OF OR PRIOR TO THE EXECUTION OF THIS AGREEMENT BY THE PARTIES AND RELATING TO THE LOANS.

14.2. WAIVER. AS TO ALL MATTERS BEING RELEASED BY BORROWER AND GUARANTORS PURSUANT TO THE PROVISIONS HEREOF, BORROWER AND EACH GUARANTOR, FOR ITSELF, HIMSELF OR HERSELF AND ON BEHALF OF THE OTHER RELEASORS, EXPRESSLY ACKNOWLEDGES THAT THE RELEASE OF CLAIMS SET FORTH IN SECTION 14.1 HEREOF APPLIES TO ALL CLAIMS WHETHER OR NOT KNOWN TO BORROWER OR GUARANTORS OR SUSPECTED BY BORROWER OR GUARANTORS TO EXIST.

14.3. NO ADMISSION OF LIABILITY. NOTHING CONTAINED IN THIS AGREEMENT, INCLUDING THE TERMS OF THIS SECTION 14, CONSTITUTES OR SHALL BE CONSTRUED AS AN ADMISSION BY LENDER OF ANY LIABILITY WHATSOEVER.

14.4. EXECUTORY OBLIGATIONS. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTIONS 14.1 AND 14.2 ABOVE, THE RELEASE OF CLAIMS CONTAINED IN THIS SECTION 14 SHALL NOT OPERATE TO RELEASE LENDER FROM ANY OF ITS EXECUTORY OBLIGATIONS UNDER THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

14.5. NO ASSIGNMENT. BORROWER AND EACH GUARANTOR, FOR ITSELF, HIMSELF OR HERSELF, AND ON BEHALF OF ALL OTHER RELEASORS, WARRANTS AND REPRESENTS TO LENDER THAT NEITHER BORROWER NOR SUCH GUARANTOR NOR ANY OR ALL OF THE OTHER RELEASORS HAVE SOLD, ASSIGNED, TRANSFERRED, CONVEYED OR OTHERWISE DISPOSED OF ANY CLAIMS WHICH ARE THE SUBJECT OF THIS SECTION.

14.6. DISCOVERY OF UNKNOWN OR DIFFERENT FACTS. BORROWER AND EACH GUARANTOR, FOR ITSELF, HIMSELF, OR HERSELF, AND ON BEHALF OF ALL OTHER RELEASORS, ACKNOWLEDGES AND AGREES THAT THE FACTS WITH RESPECT TO WHICH THE RELEASE OF CLAIMS CONTAINED IN THIS SECTION IS EXECUTED MAY HEREAFTER BE FOUND TO BE DIFFERENT FROM THE FACTS NOW BELIEVED BY IT, HIM OR HER TO BE TRUE, AND BORROWER AND EACH GUARANTOR, FOR ITSELF, HIMSELF, OR HERSELF AND ON BEHALF OF ALL OTHER RELEASORS, EXPRESSLY ACCEPTS AND ASSUMES THE RISKS OF SUCH POSSIBLE DIFFERENCES AND AGREES THAT THE RELEASE OF CLAIMS CONTAINED IN THIS SECTION SHALL BE AND REMAIN EFFECTIVE NOTWITHSTANDING SUCH DIFFERENCES IN FACTS.

15. NO WAIVER BY LENDER. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, THIS AGREEMENT BY LENDER TO FORBEAR FROM EXERCISING ITS RIGHTS AND REMEDIES UNDER THE LOAN DOCUMENTS SHALL NOT CONSTITUTE A WAIVER OF, CONSENT TO, OR CONDONING OF ANY DEFAULT BY BORROWER OR ANY GUARANTOR, AND BORROWER AND EACH GUARANTOR AGREES THAT LENDER MAY IMMEDIATELY EXERCISE ALL RIGHTS AND REMEDIES AVAILABLE TO IT UNDER THE LOAN DOCUMENTS BY REASON OF ANY DEFAULT IMMEDIATELY UPON EXPIRATION OR TERMINATION OF THIS AGREEMENT WITHOUT LENDER BEING REQUIRED TO PROVIDE ANY ADDITIONAL NOTICE OF DEFAULT OR ACCELERATION OR CURE PERIODS THEREFOR.

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16. Bankruptcy.

16.1. Statement of Intent. Borrower and each Guarantor warrants and represents to Lender that Borrower or such Guarantor has no present intent (i) to file any voluntary petition in bankruptcy under any Chapter of the United States Bankruptcy Code (the "Bankruptcy Code"), or directly or indirectly to cause Borrower or such Guarantor, as the case may be, or any other person or entity that may hereafter own any interest in, or claim any beneficial interest in, the collateral pledged to Lender, to file any voluntary petition in bankruptcy under any Chapter of the Bankruptcy Code or to have any involuntary petition in bankruptcy filed against it under any Chapter of the Bankruptcy Code, or (ii) in any manner, directly or indirectly, to cause Borrower or Guarantor, as the case may be, or any other person or entity that may hereafter own any interest in, or claim any beneficial interest in, the collateral pledged to Lender, to seek relief, protection, reorganization, liquidation, dissolution, or similar relief for debtors under any federal, state, or local law, or in equity, or (iii) in any manner, directly or indirectly, to cause the Lender's collateral to be the subject of any bankruptcy or insolvency proceedings or the property of any bankruptcy or insolvency estate.

16.2. Cash Collateral; Relief From Stay. To the extent permitted by applicable law, Borrower and each Guarantor further acknowledges and agrees that in the event any portion of its property in which Lender has a security interest shall become the subject of any bankruptcy or insolvency estate, then Lender shall immediately become entitled, among other relief to which Lender may be entitled under the Loan Documents, and at law or in equity, to obtain upon ex parte application therefor and without further notice or action of any kind, (i) an order from the court prohibiting the use by the trustee in bankruptcy, or by Borrower as debtor-in-possession, of Lender's "cash collateral" (as such term is defined in Section 363 of the Bankruptcy Code) in connection with the Loans, and (ii) an order from the Court granting immediate relief from the automatic stay pursuant to Section 362 of the Bankruptcy Code so as to permit Lender to exercise all of its lawful rights and remedies pursuant to the Loan Documents, and at law and in equity, and Borrower further acknowledges and agrees that the occurrence or existence of any Event of Default under this Agreement shall, in and of itself, constitute "cause" for relief from the automatic stay pursuant to the provisions of Section 362(d)(1) of the Bankruptcy Code.

16.3. Further Agreement. As additional consideration for Lender's execution of this Agreement, Borrower and each Guarantor agrees as follows: (a) in the event of a bankruptcy filing by or against Borrower or such Guarantor, it, he or she shall not reject this Agreement, nor contest any claim or assertion by Lender that this Agreement is binding on the Parties, and that valuable consideration has been received by Borrower and Guarantors for this Agreement; (b) Lender shall, at its option (but subject to applicable law), receive immediate relief from the automatic stay provisions of the Bankruptcy Code following any bankruptcy petition which any Borrower may file or which may be filed against any Borrower, and in no event shall Borrower or any Guarantor contest a motion to lift the automatic stay filed by Lender; and (c) any contrary action taken by Borrower or any Guarantor with respect to the matters set forth above shall be deemed to be in bad faith and are agreed to constitute violations of Federal Rules of Civil Procedure 11 and Bankruptcy Rule 9011.

16.4. Functional Equivalent of Chapter 11. Borrower acknowledges that this Agreement is of considerable benefit to it, and represents the functional equivalent of a restructuring

of Borrower's businesses under the Bankruptcy Code because, among other things: (a) Borrower has received financial and other accommodations from Lender; and (b) Borrower is afforded by this Agreement an opportunity to sell its property or refinance its Loans, all in lieu of a bankruptcy petition, which Borrower elected not to file. Borrower has thus been provided with a full and fair opportunity to reestablish or reorganize its financial stake, and has elected not to seek a further restructuring of its business. Borrower understands that Lender is entering into this Agreement in reliance on Borrower's representations in this Agreement, including Borrower's representations that it will not seek a further restructuring of its business.

16.5. Representations. Borrower represents and warrants to Lender and agrees as follows: (i) Borrower has assured Lender that if the consensual out of court plan of reorganization contained in this Agreement cannot be carried out by Borrower in accordance with the terms of this Agreement, then Borrower intends to allow Lender to foreclose and exercise all of its other rights and remedies as a secured creditor; (ii) Borrower does not intend to file a bankruptcy petition and has no intention of seeking a non-consensual plan of reorganization in any bankruptcy forum; (iii) if Borrower is unable to reorganize its business and financial affairs prior to the end of the Cooperation Period so that it is able to satisfy its obligations to Lender under this Agreement and the other Loan Documents, any further attempt or additional time to reorganize its financial affairs and to pay and perform its obligations to Lender would be fruitless and impracticable to achieve; (iv) any filing by Borrower of a voluntary petition in bankruptcy or the exercise of like or similar rights by Borrower prior to satisfaction of Borrower's indebtedness to Lender would be inconsistent with and contrary to the intentions of the Parties and made only with the intention to hinder, delay or defraud Lender in enforcing its rights as a secured creditor; (v) Borrower cannot formulate or implement a successful plan of reorganization in any such proceeding (whether in bankruptcy or under a like proceeding) which would adequately and sufficiently protect the rights of Lender or enable Borrower to satisfy its obligations to Lender; (vi) in light of the foregoing, any such filing would be made in bad faith as such term is used by courts in construing the Bankruptcy Code, as amended, as to Lender and only with the intention to hinder, delay or defraud Lender from exercising its rights and remedies as to the obligations of Borrower to Lender and the collateral securing such obligations; (vii) in light of the foregoing, if any voluntary or involuntary proceeding in bankruptcy or under like laws granting relief to Borrower is filed by or against Borrower, Lender shall have the right to seek and obtain (subject to applicable law) immediate relief from any stay as to the collateral for the obligations secured thereby and to have the exclusivity period for the filing of any plan of reorganization terminated, and Borrower shall be estopped from objecting to or opposing in any manner the relief requested by Lender or the termination of any such exclusivity period in a bankruptcy proceeding; and (viii) Borrower will not solicit, assist or encourage any third party to file an involuntary bankruptcy petition against Borrower. Lender is relying on, among other things, the representations and warranties contained in this Section in entering into this Agreement.

17. Miscellaneous.

17.1. Costs and Expenses. Nothing in this Agreement shall (i) diminish or otherwise limit any obligation Borrower may have under the Loan Documents with respect to payment of Lender's costs and expenses, or (ii) prevent Lender from requiring Borrower to pay all such costs and expenses in accordance with the terms of the Loan Documents and this Agreement.

17.2. Further Instruments. Borrower and Guarantors shall, whenever and as often as it, he or she shall be requested to do so by Lender, cause to be executed, acknowledged or delivered any and all such further instruments and documents as may be necessary or proper, in the reasonable opinion of Lender, in order to carry out the intent and purpose of this Agreement.

17.3. No Waiver. No waiver by Lender of any of its rights or remedies in connection with the Loans shall be effective unless such waiver is in writing and signed by Lender.

17.4. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the Commonwealth of Virginia.

17.5. No Third Party Beneficiaries. Nothing in this Agreement is intended to or shall confer any rights or remedies upon any person, other than the Parties hereto and, subject to any restrictions on assignment contained in this Agreement and the other Loan Documents, their respective successors and assigns.

17.6. No Assignment. This Agreement, the New Note, the Loan Documents and the obligations thereunder cannot be assigned by Borrower or Guarantors.

17.7. No Offsets. No indebtedness evidenced by the Notes evidencing the Loans, the New Note or other Loan Documents shall be offset by all or part of any claim, cause of action, or cross-claim of any kind, whether liquidated or unliquidated, which Borrower or any Guarantor now has or may hereafter acquire or allege to have acquired against Lender. To the fullest extent permitted by law, Borrower and each Guarantor each waives the benefits of any applicable law, regulation, or procedure which provides, in substance, that where cross demands for money exist between parties at any point in time when neither demand is barred by the applicable statute of limitations, and an action is thereafter commenced by one such party, the other party may assert the defense of payment in that the two demands are compensated so far as they equal each other, notwithstanding that an independent action asserting the claim would, at the time of filing the response, be barred by the applicable statute of limitations.

17.8. Fees. Borrower and Guarantors shall pay to Lender all reasonable and actual out-of-pocket costs, charges and expenses paid or incurred by Lender in connection with the preparation of this Agreement and the other documents and transactions contemplated by this Agreement, including reasonable attorneys' fees and costs. Borrower and Guarantors shall pay all reasonable costs and expenses, including reasonable attorneys' fees and costs, incurred by Lender in enforcing any of the terms of this Agreement or the other Loan Documents, whether or not any legal proceedings are instituted by Lender. Without limiting the generality of the immediately preceding sentence, such costs and expenses shall include all reasonable attorneys' fees and costs incurred by Lender in connection with any federal or state bankruptcy, insolvency, reorganization, or other similar proceeding by or against Borrower or any Guarantor which in any way affects Lender's exercise of its rights and remedies under any or all of the Loan Documents.

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17.9. Relationship of Parties. Nothing contained in this Agreement or the other Loan Documents constitutes or shall be construed as the formation of a partnership, joint venture, tenancy-in-common, or any other form of co-ownership between Lender and Borrower or any other person, or the creation of any confidential or fiduciary relationship of any kind between Lender and Borrower or any other person.

17.10. Participation of Loans. Lender shall have the right to participate all or any part of the Loans or New Note to any lending institution within or outside of the Farm Credit system, and Borrower and Guarantors hereby authorize Lender to disclose to any prospective loan participant or sub-participant all information, including but not limited to financial information, provided to Lender in connection with the Loans. In the event Lender assigns or sells a participation in the Loans or New Note, in whole or in part, Lender shall notify Borrower and Guarantors as to the identity of the participating institution. The participation of a Loan shall not affect or limit the rights and obligations of Lender, Borrower or Guarantors as set forth in this Agreement.

17.11. Descriptive Headings; Interpretation. The headings to sections of this Agreement are for convenient reference only, do not in any way limit or amplify the terms of this Agreement, and shall not be used in interpreting this Agreement. For purposes of this Agreement: (i) the term "including" shall be deemed to mean "including, without limitation, "; (ii) the term "Loan Documents" shall be deemed to include, without limitation, this Agreement; (iii) the term "person" means any natural person or any entity, including any corporation, partnership, joint venture, trust, limited liability company, unincorporated organization or association, or trustee; and (d) whenever the context of this Agreement reasonably requires, all words used in the singular shall be deemed to have been used in the plural, and the neuter gender shall be deemed to include the masculine and feminine gender, and vice versa. This Agreement has been prepared and drafted through a joint effort of the Parties and, therefore, shall not be construed against any of the Parties as the person who prepared or drafted this Agreement.

17.12. Entire Agreement. This Agreement and the other Loan Documents contain the entire agreement and understanding between the Parties concerning the matters covered by this Agreement and the other Loan Documents, and supersede all prior and contemporaneous agreements, statements, understandings, terms, conditions, negotiations, representations and warranties, whether written or oral, made by Lender or Borrower or Guarantors concerning the matters covered by this Agreement and the other Loan Documents.

17.13. Time of the Essence. Time is of the essence of this Agreement.

17.14. Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by law.

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17.15. Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be effective on the earliest of the following dates: (i) on the first (1st) Business Day after the date on which the sender's facsimile transmitting equipment issues a confirmation record of receipt of such notice by the recipient's facsimile equipment or on the same Business Day that receipt of a facsimile transmission is confirmed by the sender of such transmission by telephone at the confirmation number set forth below, if notice is sent by facsimile transmission to the recipient's facsimile number set forth on Exhibit C; (ii) the date when actually delivered if delivered in person to the recipient; (iii) on the first (1st) Business Day after depositing such notice with a reputable independent nationally-recognized overnight courier service addressed to the recipient as set forth on Exhibit C; or (iv) on the third (3rd) day after depositing such notice in a sealed envelope in the United States mail, postage prepaid, by registered or certified mail, return receipt requested, addressed to the recipient at the address for such Party set forth on Exhibit C. The address for Lender set forth on Exhibit C shall hereafter serve as the address for notice purposes under the Loan Documents, and this constitutes written notice of such new address to Borrower and Guarantors.

17.16. Counterparts. This Agreement may be executed in any number of counterparts so long as each signatory hereto executes at least one such counterpart. Each such counterpart shall constitute one original, but all such counterparts taken together shall constitute one and the same instrument.

17.17. WAIVER OF RIGHT TO JURY TRIAL. BORROWER AND EACH GUARANTOR IRREVOCABLY WAIVES ALL RIGHTS TO A JURY TRIAL IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR IN ANY WAY RELATING TO THE LOANS OR ANY OF THE OTHER LOAN DOCUMENTS, ANY OR ALL OF THE REAL AND PERSONAL PROPERTY COLLATERAL SECURING THE LOANS, OR ANY OF THE TRANSACTIONS WHICH ARE CONTEMPLATED BY THE LOAN DOCUMENTS. THE JURY TRIAL WAIVER CONTAINED IN THIS SECTION IS INTENDED TO APPLY, TO THE FULLEST EXTENT PERMITTED BY LAW, TO ANY AND ALL DISPUTES AND CONTROVERSIES THAT ARISE OUT OF OR IN ANY WAY RELATE TO ANY OR ALL OF THE MATTERS DESCRIBED IN THE PRECEDING SENTENCE, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS OF ANY KIND. THE WAIVER CONTAINED IN THIS SECTION SHALL APPLY TO ALL SUBSEQUENT EXTENSIONS, RENEWALS, MODIFICATIONS AND REPLACEMENTS OF ANY OR ALL OF THE LOAN DOCUMENTS. THIS AGREEMENT MAY BE FILED WITH ANY COURT OF COMPETENT JURISDICTION AS WRITTEN CONSENT TO WAIVER OF A JURY TRIAL BY ANY BORROWER OR GUARANTOR.

17.18. REVIEW BY BORROWER WITH INDEPENDENT COUNSEL. BORROWER AND EACH GUARANTOR ACKNOWLEDGES AND AGREES THAT: (A) IT, HE OR SHE HAS CAREFULLY READ AND UNDERSTANDS ALL OF THE TERMS OF THIS AGREEMENT; (B) IT, HE OR SHE HAS EXECUTED THIS AGREEMENT FREELY AND VOLUNTARILY, AFTER HAVING CONSULTED WITH INDEPENDENT LEGAL COUNSEL AND AFTER HAVING HAD ALL OF THE TERMS OF THIS



AGREEMENT EXPLAINED TO IT, HIM OR HER BY INDEPENDENT LEGAL COUNSEL; (C) THE WAIVERS AND RELEASES CONTAINED IN THIS AGREEMENT ARE REASONABLE, NOT CONTRARY TO PUBLIC POLICY OR LAW, AND HAVE BEEN INTENTIONALLY, INTELLIGENTLY, KNOWINGLY AND VOLUNTARILY AGREED TO BY BORROWER AND GUARANTORS; (D) THE WAIVERS AND RELEASES CONTAINED IN THIS AGREEMENT HAVE BEEN AGREED TO BY BORROWER AND GUARANTOR WITH FULL KNOWLEDGE OF THEIR SIGNIFICANCE AND CONSEQUENCES, INCLUDING FULL KNOWLEDGE OF THE SPECIFIC NATURE OF ANY RIGHTS OR DEFENSES WHICH BORROWER AND GUARANTOR HAVE AGREED TO WAIVE OR RELEASE PURSUANT TO THIS AGREEMENT; (E) BORROWER AND GUARANTOR HAVE HAD A FULL AND ADEQUATE OPPORTUNITY TO NEGOTIATE THE TERMS CONTAINED IN THIS AGREEMENT; (F) BORROWER AND GUARANTOR ARE EXPERIENCED IN AND FAMILIAR WITH LOAN TRANSACTIONS OF THE TYPE EVIDENCED BY THIS AGREEMENT; AND (G) THE WAIVERS AND RELEASES CONTAINED IN THIS AGREEMENT ARE MATERIAL INDUCEMENTS TO LENDER'S EXECUTION OF THIS AGREEMENT, AND LENDER HAS RELIED ON SUCH WAIVERS AND RELEASES IN ENTERING INTO THIS AGREEMENT AND WILL CONTINUE TO RELY ON SUCH WAIVERS AND RELEASES IN ANY RELATED FUTURE DEALINGS WITH BORROWER OR GUARANTOR.

17.19. Execution By Parties. This Agreement shall only be effective and shall only be binding on the Parties if it is duly authorized and executed by Borrower, all Guarantors and Lender.

WITNESS the following signatures and seals; and

IN WITNESS WHEREOF, each corporate party to this Agreement has caused this instrument to be executed on its behalf by its duly authorized agent.

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LENDER:

**FARM CREDIT OF THE VIRGINIAS, ACA,
As agent/nominee**

By *AP Saufley II*
Name: *AL P. SAUFLEY, II*
Its: *Regional Lending Manager*

STATE OF VIRGINIA
CITY / COUNTY OF *Charlottesville*

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid this *6th*
day of *May*, 2009, on behalf of FARM CREDIT OF THE VIRGINIAS, ACA, by
AL P Saufley, II, its *Regional Lending Manager*.

My commission expires: *3/3/12*

[Signature]
Notary Public Registration No. *7176170*



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BORROWER:

KLUGE ESTATE WINERY AND VINEYARD, LLC

By William J. Moses
Name: WILLIAM J. MOSES
Its: CEO

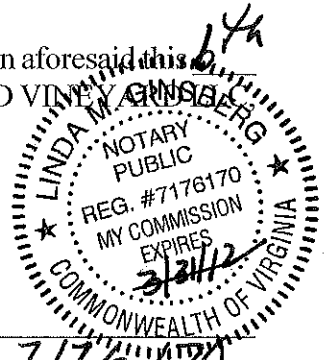
STATE OF VIRGINIA
CITY / COUNTY OF Charlottesville

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid this 6th
day of May, 2009, on behalf of KLUGE ESTATE WINERY AND VINEYARD, LLC
by William J. Moses, its CEO.

My commission expires: 3/31/12

[Signature]
Notary Public

Registration No. 7176170



GUARANTORS

Patricia M. Kluge
Patricia M. Kluge

STATE OF VIRGINIA
CITY / COUNTY OF Charlottesville

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid this 6th
day of May, 2009, by Patricia M. Kluge.
My commission expires: 3/31/12

[Signature]
Notary Public

Registration No. 7176170



[Signature]

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William J. Moses

William J. Moses

STATE OF VIRGINIA
CITY / COUNTY OF Charlottesville

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid this 6th
day of May, 2009, by William J. Moses.

My commission expires: 3/31/12

[Signature]

Notary Public

Registration No. 7176170



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Schedule F

Existing Defaults

1. Failure to pay unused availability fees due September 1, 2008 and thereafter to and including the date hereof.
2. Failure to make installment payments due under the Notes on October 1, 2008 and each month thereafter to and including the payments due on April 1, 2009.
3. Breach of "no litigation" representation set forth in Section 6.1(c) of the Loan Agreement with regard to those litigation matters disclosed on Schedule 7.5 of this Agreement.
4. Breach of "compliance with laws" representation set forth in Section 6.1(e) and "compliance with laws" covenant under Section 6.2(n) of the Loan Agreement with regard to those matters disclosed on Schedule 7.6 of this Agreement.
5. Breach of "no default under indebtedness" representation set forth in Section 6.1(n) of the Loan Agreement, and Article IV, Section 4 of the Security Agreement, with regard to those matters disclosed on Schedule 7.5 of this Agreement.
6. Breach of obligation to timely deliver financial statements as required under Section 6.2(a) of the Loan Agreement to and including reports due on or before April 1, 2009.
7. Breach of obligation to timely deliver Borrowing Base certifications by the tenth day of each calendar month as required under Section 6.2(b) of the Loan Agreement, to and including the certification due on April 10, 2009.
8. Breach of obligation to timely deliver copies of communications with Bureau of Alcohol Tobacco and Firearms with regard to licensure and excise tax issues pursuant to Section 6.2(f) of the Loan Agreement, to and including communications up to March 1, 2009.
9. Failure to timely pay real property taxes for the period ending December 31, 2008, as required by Section 6.2(i) of the Loan Agreement and the Deed of Trust.
10. Failure to comply with Section 6.3(a) of the Loan Agreement.
11. Failure to timely pay premiums and keep required policies of insurance in full force and effect at all times prior to April 1, 2009, as required by Section 6.2(j) of the Loan Agreement, the Security Agreement and the Deed of Trust.
12. Failure to notify Lender prior to the date hereof of those matters disclosed on Schedules 7.5 and 7.6 of this Agreement as required by Section 6.2(o) and Section 6.2(r) of the Loan Agreement and Article III, Section 17 of the Security Agreement.



13. Breach as of December 31, 2007 and December 31, 2008 of the liquidity covenant set forth in Section 6.3(a) of the Loan Agreement.
14. Breach of the financial covenants set forth in Section 6.3(b), (c), (d) and (e) of the Loan Agreement to and including the period ending March 31, 2009.
15. Breach of the covenant set forth in Section 6.4(j) of the Loan Agreement with regard to Borrower's dealings with Albemarle Farm Shop, also known as Kluge Winery Farm Shop, involving sale of wine on credit.
16. Event of Default under Section 7.1(h) and Section 7.1(i) of the Loan Agreement with respect to those matters listed on Schedule 7.5 to this Agreement.

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Schedule 1

Business Plan/Funding Requirements

See attached.

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Appendix A

Vendor	Category	Total Due Vendor April 2009	# of Months in Model	Monthly Payments	Sum of Monthly Payments	Total Remaining Feb 28, 2010
Barrels, Grapes, Cork & Labels (Schedule 1)*						
Boycud	Barrels	\$ 45,633.00	11	\$ 3,500.00	\$ 38,500.00	7,133.00
Lithobru	Labels	19,483.00	1	19,483.00	19,483.00	-
Tiger Fuel	Fuel	60,000.00	5	10,000.00	50,000.00	-
Herrord Seed	Chemicals	89,482.00	11	3,000.00	33,000.00	36,482.00
Bouchard Cooparage	Barrels	13,620.00	4	3,405.00	13,620.00	-
Shows Lake Vineyard	Grapes	147,236.00	11	5,500.00	60,500.00	86,736.00
Canton Wood	Barrels	6,000.00	3	2,000.00	6,000.00	-
Seculin Moreau	Barrels	12,852.00	4	3,213.00	12,852.00	-
Crevellier	Winey cat walk	17,209.00	11	1,500.00	16,500.00	709.00
Racoux	Barrels	17,012.00	4	4,253.00	17,012.00	-
Total		\$ 398,547.00		\$ 267,477.00	\$ 131,070.00	

Accounts Payable (est) (Schedule 1)**

Neurpak USA, Inc	Foils	\$ 10,484.88	10	\$ 1,000.00	\$ 10,000.00	484.88
Trimbley & Smith, LLP	Legal	13,285.73	4	3,321.93	13,285.73	-
Southern Air, Inc	HVAC	9,808.92	4	2,452.23	9,808.92	-
Wilson Irrigation	Weather Station	12,384.80	4	3,095.20	12,384.80	-
Michelle Rolland	Winery	108,540.00	11	9,885.45	108,540.00	-
Pelleno America Inc	Training	4,900.00	2	2,450.00	4,900.00	-
Virginia Resource Mapping	Mapping	25,785.00	11	2,300.00	22,000.00	4,785.00
Deussem Global	PR	14,122.84	5	2,824.57	14,122.84	-
Glaves & Holmes associates	GEO mapping	9,931.07	5	1,986.21	9,931.07	-
Prospero Equipment Corp.	Setup	5,541.10	0	-	-	5,541.10
Reinhardt Creative LLC	Label work	7,840.00	0	-	-	7,840.00
Oton Software	Software License	3,950.00	0	-	-	3,950.00
RBC Centura	Bank	5,063.82	0	-	-	5,063.82
Arias Temp	Vineyard Labor	1,254.00	0	-	-	1,254.00
Bernal and associates	Vineyard Labor	9,709.00	0	-	-	9,709.00
WineMaker's Database	Software License	2,000.00	0	-	-	2,000.00
O-M Computer Systems	Computer Support	3,707.50	3	1,235.83	3,707.50	-
Bernard Sutre	Vineyard Consultant	8,437.50	3	2,812.50	8,437.50	-
David Easton	Designer	6,018.87	0	-	-	6,018.87
McCandlish Holton	Legal	88,959.89	11	6,268.08	88,959.89	-
Total		\$ 330,744.92		\$ 284,066.25	\$ 46,656.57	

Grand Totals		\$ 728,291.92		\$ 551,565.25	\$ 177,726.67	
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* These items are detailed in Barrels, Labels & Cork, Grapes plans (4) in the Schedule 1, 2009 Restructured Cash Requirements Model.

** These items are included in the monthly budget detailed in Accounts Payable est (2) in the Schedule 1, 2009 Restructured Cash Requirements Model. They are not broken out by specific vendor in the cash but are rolled into the totals in the monthly expenses.

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Footnotes: 2009 Restructured Agreement Cash Requirements Model ("Model")

General Assumptions

The Model reflects the consolidated results of Kluge Estate Winery and Vineyard, LLC and the Farm Shop. The Model was prepared by Management on a cash basis based upon the Company's forecasted income statement and balance sheet. Management has forecasted the results of operations based upon information available as of April 2009. Pursuant to the Loan Restructure Agreement, the Model reflects activity for the month of April beginning on and including April 1, 2009. This forecast is subject to revision and change, in accordance with the terms of the Restructure Agreement, as events and outcomes may not materialize as anticipated.

1. Cash Receipts - Cash Receipts reflect the anticipated collection of sales receipts based upon an assumed 30 day lag between sales and collections. The receipts are based upon the forecasted sales for 2009 and 2010. The forecasted monthly sales are based upon total sales forecasted for the year allocated by month in a manner consistent with prior years' sales. The cash receipts reflect the receipts of the Farm Shop which are swept on a periodic basis. For purposes of this analysis, the Farm Shop receipts are assumed consolidated into the winery and vineyard results.

Cash Disbursements

2. Accounts Payable - Accounts Payable reflects the payment of administrative expenses, sales and marketing expenses as well as vineyard and winery expenses. The Model assumes that all new payables outstanding remain at approximately 30 days. The Model assumes that certain creditors are paid under extended payment plans, all of which are detailed on Appendix A.

Fees and expenses incurred as a result of the restructuring - The Model does not include fees and expenses incurred as a result of the restructuring either for the Banks' or the Company's professionals.

3. Farm Shop - Farm Shop expenses are shown net of non-wine income and are expected to average approximately \$11,100 per month based upon current expense run rates which reflect the reduction associated with the elimination of food services.

4. Barrels, Labels, & Cork, Grapes Payments Plans - The Company has entered into a number of formal and informal extended payment plans with certain creditors in order to maximize cash flow. All of these extended payment plans are identified separately on Appendix A. The Snows Lake payment plan has not yet been agreed to but in consultation with the Company, management believes the assumption is reasonable once the Restructuring Agreement is completed. Other vendors are also assumed to be on a payment plan. In some cases the vendor has verbally agreed to these plans and in other cases the payment plan reflects management's estimate of the amount that the vendor would be willing to receive if paid on a regular basis. These assumptions are based upon past dealings with the vendors but may not necessarily be agreed to by the vendor. Any deferral of expenditures other than as reflected in Appendix A in the form attached to the Restructure Agreement is subject to the prior approval of Lender in accordance with the terms of the Restructure Agreement.

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5. Bottling Supplies - The Bottling Supplies expense includes estimates for glass, foil, caps, cork, alcohol, labels, and winery related chemicals. The Company will make efforts to reduce the overall expenditures through a competitive bidding process.

6. Lease Payments - The Company has entered into several leases for winery and vineyard equipment. Leases were used as a way of spreading cost over several years in an effort to maximize cash flow during the start-up phase. Additionally, the Company has entered into a lease for a warehouse facility in Madison, Virginia primarily for the storage of finished goods. The lease payments on the New Jersey Warehouse have been included as part of the Accounts Payable line item. The payments range between \$1,000 and \$1,500 per month depending on the amount of inventory stored at the New Jersey Warehouse. .

7. Insurance - The Company pays a portion of its employee's health benefits. If an employee wishes to cover any one other than him or herself, the monies are deducted from their paycheck by ADP on a pre tax basis. The Company is amending its plan to reduce the portion payable by the Company.

The Company holds insurance policies with Montgomery Insurance. The broker on the policies is J. Smith Lanier. The policies include workers compensation, auto, umbrella and package coverage. The most recent payment for insurance on the Madison warehouse was paid directly by the Bank on the Company's behalf from the proceeds of the Capital Expenditure Line and an accrued advance under the New Note in the amount of \$8,582. In the month of April, 2009, the Model reflects the balance of that payment of approximately \$8,582 being paid. The Company holds a key man life insurance policy for William Moses in the amount of \$5,000,000 and a key man life insurance policy for Patricia Kluge in the amount of \$10,000,000.

8. Payroll - The payroll cash disbursement is seasonally adjusted to reflect historic labor need patterns. The Company has and will continue to monitor and reduce this expense where appropriate. Payroll does not include any payment of the salaries of the Guarantors. The Guarantors' salaries are to be accrued and paid upon the closing of a Strategic Transaction consistent with the terms of the Loan Restructure Agreement. The Guarantors' salaries for the full year are approximately \$310,000, collectively, per annum, excluding related benefits.

9. Farm Credit Debt Interest - A one time payment of \$1,666,169 will be made at the time of closing. This payment will bring the interest current on the existing Loans through February 28, 2009 and pay certain fees as well as expenses incurred by Farm Credit as detailed and referenced in the Restructure Agreement. For the duration of the Cooperation Period, the interest will be accrued and payable upon expiration of the New Note or the consummation of a Strategic Transaction, as applicable, in accordance with the terms of the Restructure Agreement.

10. Farm Credit Amended Loan Interest - For the duration of the "Cooperation Period" period, the interest will be accrued and payable upon expiration of the New Note or the consummation of a Strategic Transaction, as applicable, in accordance with the terms of the Restructure Agreement.

11. Bonding Requirements - It is anticipated that the Company will require an additional \$100,000 in bonding due to increased production capacities and additional storage locations. The Company will seek the necessary bonds through an insurance company or bank letter of credit. The Company is presently researching the cost and availability of such additional bonding. The Company has been successful in obtaining this type of bonding in the past at reasonable rates. For the purposes on the Model, the Company has assumed paying the entire bond amount in the month of April 2009 and again in January 2010.

12. County Taxes - The Company is currently delinquent by one year (i.e. two half-year payments) to the County of Albemarle for its property taxes. The Company intends to bring the taxes current and remain current during the Cooperation Period.

13. TTB Underpayment with Penalties - The Model assumes that past due Excise Taxes are paid in full, including penalties, in the month of April 2009. This payment will bring the Company current with the BATF.

14. Capital Expenditures - The Company has reduced its capital expenditures for 2009. The contemplated expenditures include the purchase of storage devices for the 2008 sparkling wine program and the purchase of an additional tractor and sprayer to service the additional acreage that will begin production in 2009.

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Schedule 7.5

Litigation

1. Judgment in favor of consortium of cooperage companies in the amount of \$67,581. Payments have been made on account and as long as payments continue, the consortium has agreed not to move the judgment to Virginia. The current balance is \$29,865.001.
2. Letter received from Cameo Crafts demanding payment for merchandise in the amount of \$2,489.02 and threatening the institution of legal proceedings in the event payment is not received.
3. Notice of Default received from Daniel & Company in connection with obligations under a promissory note in the amount of \$16,470.77.

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Schedule 7.6

Compliance with Laws

1. Update to current BATF license necessary to reflect name change from Home & Garden Company, L.L.C. to Kluge Estate Winery and Vineyard, L.L.C.
2. A \$50,000 increase in amount of current excise tax bond is required to cover increased production at KEW.
3. KEW owes past due property taxes in the amount of \$144,267.97 for 2008, which past-due taxes shall be paid in full as a condition to and as contemplated by this Agreement.

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EXHIBIT A

Mission and Powers of Chief Restructuring Officer

Mission: The mission and primary objective for purposes of exercise of discretion afforded the CRO is to ready for sale all assets of Kluge Estate Winery & Vineyard LLC ("KEW") in an orderly fashion at the earliest possible time, whether in total or by sale of its component parts pursuant to the exercise by Lender of its rights and remedies, and to minimize cash flow demands of operations pending such sale.

Powers: The discretionary powers of the CRO include, without limitation, the following powers:

- To enter upon and take possession and control of the real and personal property of KEW (including leasehold interests), together with all accounts, records, correspondence, and books of accounts in whatever form relating thereto;
- To collect all rents, revenues, receipts and income derived from the real and personal property of KEW, to pay the CRO and KEW's ongoing operating expenses and required taxes as such become due, then to make past due and current payments of the Loans and New Note with any excess cash deposited in an account in which Farm Credit has a first priority lien as security for KEW's obligations to Farm Credit, and upon acceleration of the Loans and New Note to apply the remaining excess receipts, if any, to such indebtedness, subject to the retention of a reserve deemed appropriate by the CRO for operation of the property pending liquidation, and to open and operate accounts as may be necessary to perform such duties;
- To take delivery and possession of any payments, accounts, deposits, and escrows held by KEW and/or its agents, and to apply these sums in the manner set forth above;
- To maintain an accurate ledger and/or similar books of account of all receipts and disbursements made by the CRO, and to keep the operating statements and all other documents provided to the CRO by KEW;
- To review all improvements and systems at the real property and leased real property, including structural, mechanical, and life and fire control systems, and to address all problems and conditions at the real property, and to perform such repairs, maintenance and upgrades necessary to protect and preserve the real property and improvements;
- To inventory, secure and protect all of the personal property of KEW (including but not limited to wine inventory, both bottled and in bulk), and to organize all such property in anticipation of sale thereof;
- To review all leases, contracts and vendor accounts; to communicate with all landlords and vendors regarding the current status of KEW; and to enter into, modify, extend, renew, reject and/or terminate any contracts and/or leases, as the CRO deems advisable;
- To sell and facilitate sale of bottled wine and bulk wine at such prices and on such terms as the CRO determines, with a primary goal of generating immediate cash flow to ease financial pressures of continued operations;
- To determine whether it would be most cost and resource effective for KEW to sell the bulk wine in bulk or by barrels, or whether it makes business sense to bottle the wine. If the CRO determines to bottle all or any portion of the bulk wine, CRO may determine to bottle the wine for sale under the "Kluge" label, or as private label under contract to third parties, or as "shiners" (i.e., unlabelled bottled wine). Any sale thereof in bulk or bottled shall be at such prices and on such terms as the CRO determines, with a primary goal of generating immediate cash flow to ease financial pressures of continued operations;

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- To enter into, honor or terminate such leases of equipment as the CRO determines, including the power to terminate or breach existing leases even if repossession and loss of “equity” therein will result;
- To sell and/or replace such pieces of equipment as the CRO determines, if such action will generate positive cash flow on a net basis when evaluated as to 2009 expenses and operations only, on such terms and at such prices as the CRO determines;
- To hire and fire employees and agents of KEW, and to adjust compensation and benefits of existing or new employees as the CRO determines;
- To exercise discretion as to wine-making processes and decisions, including hiring and firing of such consultants as the CRO determines;
- To exercise discretion as to vineyard matters, which may include, without limitation, electing to place the vineyards into “hibernation,” lease of the vineyards to third parties on such terms as the RO determines, and/or contracting to sell some or all of the production of the vineyards at such price and on such terms as the RO determines. In that regard, the CRO shall determine whether it would be most cost and resource effective for KEW to operate the vineyards itself, through employees or contract labor, or alternatively, whether it would be most cost and resource effective for KEW to lease the vineyard, either for cash rent or crop-sharing rent, and if so, to negotiate and enter into a lease of the vineyards on such terms as the RO determines make business sense consistent with the mission and primary objective above;
- To close the Farm Shop, restructure operations of the Farm Shop, lease the Farm Shop to a third party, and/or require that sales of wine to the Farm Shop be paid for “cash on delivery”;
- To enter into, honor or terminate such distributorship arrangements as the CRO determines, including the power to terminate or breach existing distributorship contracts;
- To amend, extend, terminate and otherwise deal in all respects with existing real estate leases, bailment contracts and similar arrangements, on such terms as the CRO determines;
- To subdivide the real property into smaller parcels for sale as determined by the CRO;
- To obtain, renew, extend, allow to lapse and otherwise deal in all respects with licenses pertaining to the operations of KEW, including but not limited to licenses pertaining to the sale, transport, distribution, storage, and bottling of wine and all intellectual property held by KEW;
- To terminate, modify or breach all agreements and contracts of any type between KEW and any related party, including OV Distributors and including the power to require “cash on delivery” payments, as the CRO determines;
- To institute and pursue collections of accounts receivable due to KEW;
- To obtain and maintain insurance on all assets of KEW, and liability protection, in amounts at least equal to and otherwise on terms compliant with the requirements of the Loan Documents;
- To direct cash resources of KEW to those expenses and activities which preserve and protect from deterioration or devaluation the existing collateral on which Farm Credit has a priority lien, as a first priority over and above all other expenses and activities of KEW.

In exercising his or her powers, the CRO shall endeavor to consult with and be respectful of the opinions and advice of the owners of KEW, but the CRO shall have no obligation to follow, and is free to disregard, the owners’ opinions or advice. If the CRO deems the owners or employees of KEW to be interfering with the mission, the CRO shall have the power to exclude them and their agents from KEW’s property.

EXHIBIT B
PERSONAL PROPERTY COLLATERAL

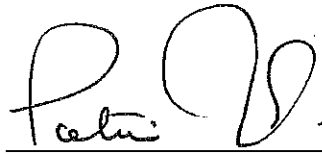
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RECEIPT

I, Patricia M. Kluge, hereby acknowledge delivery of the jewelry listed on the attached sheet to William E. Shmidheiser, Attorney for Farm Credit of the Virginias, ACA, in connection with the Loan Restructure Agreement of even date hereof.

Received this ____ of May, 2009.



Patricia M. Kluge

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RECEIPT

I, William E. Shmidheiser, Attorney for Farm Credit of the Virginias, ACA,
hereby acknowledge receipt of the jewelry listed on the attached sheet from Patricia M.
Kluge, in connection with the Loan Restructure Agreement of even date hereof. .

Received this 6 of May, 2009.


William E. Shmidhesier

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#5-SET								
5a	Set: Diamond & rubies: Necklace, ring & earrings (w/removable drops - clip ons) - white gold mounting Necklace: platinum all diamond & ruby necklace with 1 center drop containing 10 round diamonds weighing .25pts average; 2-.25pt pear shaped diamonds, surrounding 1 center 7.0ct oval Siamese ruby. Drop above center drop contains 10 round diamonds, averaging .25pts each; 2 pear shaped diamonds weighing .25pts each, surrounding center 7.0ct oval Siamese ruby. Each of these 2 has 2-.20pt marquise diamonds. Two drops flanking 2 center drops contain 8 round .25pt diamonds; 2-.25pt marquise diamonds; 1-.15pt round diamond, all surrounding 2-5.0ct Siamese rubies; the 2 side drops flanking the aforementioned are as follows: each with 8 round diamonds .25pts each; 2-25 pear shaped diamonds; 2-.20pt marquise diamonds; all surrounding 2-4.50 oval Siamese rubies. Last 2 drops contain 8-.20pt round diamonds; 2-.20pt pear shaped diamonds; 2-.20 marquise diamonds, all surrounding 2-3.0ct oval Siamese rubies. Last 2 drops are separated by 2 clusters of 3-.20pt marquise diamonds; 6-.20pt pear shaped diamonds. Front of necklace contains 44-.12pt prong set round diamonds from which the drops hang. Back of necklace is 2 rows of 110 prong set round diamonds, .12pts each. All diamonds are F color, VS 1 quality.	\$200,000.00	Brown/#19					
5b	Ring: platinum & 18k yellow gold ruby & diamond ring/contains 1 center 3.0ct oval Siamese ruby surrounded by 10 round diamonds weighing .15pts each, F color, VS 1 quality, and 2 pear shaped diamonds weighing .25pts each, F color, FS 1 quality	\$80,000.00	Brown/#20					
5c	Earrings: platinum & 18k gold ruby & diamond earrings, each contains 1 center 3.0 ct oval Siamese ruby, surrounded by 10-.10pt round diamonds; 2-.15 pear shaped diamonds and detachable drops containing 1 center 5.0ct Siamese ruby surrounded by 8 round diamonds, total weight 1.20cts; 1-.40pt pear shaped diamond and 2-.20pt pear shaped diamonds, all F color, VS 1 quality.	\$145,000.00	Brown/#21					
Catalogue #	Description	VALUE	APPRAISA					
#6-SET	Earrings & Brooch: Tourmaline from Tiffany							
6a	Brooch: Platinum & 18K yellow gold diamond, pink & green tourmaline; 1 center 35.0ct gem quality pink tourmaline and 6 sections of green tourmalines, bead set in a ribbon floral design. At the edge of the green tourmaline sections are 3 diamond sections, each containing 9-.08pt round diamonds, F color, VS 1 quality	\$24,000.00	Brown/#27					
6b	Ear Clips: 18K yellow gold & platinum matching signed Tiffany diamond & pink & green tourmaline; each earring set in floral ribbon design containing 1 center 20.0ct pink tourmaline, 4 of green tourmalines, bead set, and 4 side sections of diamonds at the end of the tourmaline sections, each containing 4-.08ct round diamonds, F color, VS 1 quality	\$18,000.00	Brown/#28					
#7-SET	SET: Baroque South Sea Pearl--- Two Strand Necklace ranging in size with a matching set of earring with pearls as drop	\$60,000.00	Brown/#36					
#8-SET	Necklace & Earrings (pearl)							
8a	Necklace: 18K yellow gold w/33 South sea pearls ranging in size from 12mm to 17mm with 18k gold barrel clasp containing approx. 7.0cts of diamonds, F color, VS 1 quality with screw clutch	\$145,000.00	Brown/#37					
8b	Earrings: 18K yellow gold South sea pearl & diamond earrings; each contain top section with 25-.03pt diamonds; 1-.35pt pear shaped diamond; 1 channel section with 13-.05pt baguettes and 9-.12pt marquise diamonds. One	\$45,000.00	Brown/#38					

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	pave diamond cap containing 8-.03pt diamonds and 1 gem quality, 18mm South Sea pearl		
#9-SET	Necklace & Earrings (pearl)		
9a	Necklace: double strand opera length=8-1/2-9mm gem cultured pearls, 120 in all, with pave diamond 18k yellow gold clasp containing approx. 1.75cts. of diamonds, F color, VS 1 quality, in dome shape	\$20,000.00	Brown#40
9b	Earrings: platinum South sea pearl & diamond clip earrings; each contain 1 center 14-1/2mm gem pearl, surrounded by 5-.25pt marquise diamonds and 3-.20pt diamonds, all F color, VS 1 quality	\$17,000.00	Brown#39
#10-SET	Necklace & Earrings		
10a	Necklace: Pink tourmaline, aquamarine, amethyst, citrine topaz green tourmaline & iolite bezel set w/link chain, Italian import	\$6,000.00	Brown#35
10b	Earrings: 18K yellow gold pink tourmaline & aquamarine bezel set; 1 earring contains 12x10 aquamarine; one earring contains 12x10 tourmaline	\$15,000.00	Brown#34
#11-SET	Bracelet, Earrings & Ring - Sapphires & Diamonds - Cartier		
11a	Bracelet: 18k yellow gold Cartier design pave diamond & multi colored sapphire bangle/contains 1 pear shaped bezel set Ceylon sapphire weighing 3.75cts; 1 bezel set 3.75ct yellow sapphire and 50 round diamonds in Chevron design, 25 on each side, total approx. weight 2.0cts, F color, VS 1 quality	\$13,320.00	Cartier#4
11b	Ring: 18k yellow gold Cartier design blue & yellow sapphire & diamond ring containing 1 center commercial quality Ceylon sapphire weighing approx 4.0cts, 2-1.50ct heart shaped yellow sapphires and 38 round diamonds, total approx. weight 1.50cts, F color, VS 1 quality	\$10,350.00	Cartier#3
11c	Earrings: 18k yellow gold pave diamond & multi-colored sapphire; one earring contains 1 pear shaped yellow sapphire surrounded by 18 round diamonds, total weigh .60pts, F color, VS 1 quality. One earring contains 1 pear shaped blue sapphire surrounded by 18 round diamond, total weight .60pts, F color, VS 1 quality	\$4,410.00	Cartier#1
#12-SET	Amethyst & Gold - Bracelet, Earrings & Ring		
12a	Bracelet: 18k yellow gold heavy link Amethyst & Zirconium amethyst bracelet weighing 150gms and containing ova. 30x20 gem quality amethyst	\$11,500.00	Brown#48
12b	Earrings: 18k yellow gold matching amethyst bezel set gold earrings; each earring contains 1 gem quality oval 20.15 amethyst	\$4,000.00	Brown#49
12c	Ring: 18k yellow gold heavy amethyst ring containing 1 gem quality oval amethyst, 22x15, set horizontally	\$3,500.00	Brown#50
#13-SET	Earrings & Brooch		

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Catalogue	Description	# 30	W A T C H E S		
30a	Watch: 18k yellow gold onyx & malochite Piaget onyx dial manual wind watch with matching malochite & onyx attachment, model #9523D75; serial #263933			\$19,500.00	Brown#57
30b	Watch: White gold watch - mesh band - Universal Geneva			not valued	
30d	Watch: Cartier "PANTHERE" - platinum (28 grams) & sapphire & diamond lying panther/49 sapphires/200 sapphires 482 rd diamonds/8 sq diamonds/2 pear shaped emeralds			\$150,000.00	Cartier#1
30g	Watch: Tiffany gold mesh watch			\$8,500.00	
30g	Watch: 18k yellow gold diamond & sapphire-Brequet-watch, Roman-dial, calibrated-baguettes sapphires & pave diamonds-in-Ghevron design sections; woven-link-clasp with pave diamonds; flip-open-heel; model#7944		<i>Not included</i>	\$20,000.00	Brown#58
Catalogue	Description	#40	B R A C E L E T S		
40b	Bracelet: 18K yellow&gold pave diamond & cabachon emerald cuff bracelet/cuff outlined in diamonds;outer contains approx. 5.50 cts of diamonds/center in leaf design with 7 leaves total approx 3.50 cts with center of bracelet 18 round diamonds in scalloped design, all surrounding gem quality 8.50 cts cabachon emerald. All diamonds are F color, VS 1 quality			\$19,000.00	Brown#44
40c	Bracelet: 18k yellow gold cabachon emerald & diamond bangle spring bracelet containing 5-3.0ct cabachon emeralds and sections of pave diamonds, total approx. weight 4.0cts, F color, VS 1 quality			\$16,000.00	Brown#43
40d	14K yellow gold sapphire & diamond bracelet containing 20 marquise box set round diamonds weighing .05pts each, F color, VS 1 quality, and 20 marquise sapphires weighing approx. .25 pts each		<i>Not included</i>	\$4,000.00	Brown#18
40e	Bracelet: 18k yellow gold oval equestrian link bracelet containing colored cut glass bezel set charms; old Roman coins, south sea pearls (white & black), with toggle clasp containing cabachon sapphires			\$8,000.00	Brown#60
40g	Bracelets: Assorted Gold Bangles - 22- 24 carat gold			not valued	
40h	Bracelet: Three strand pearl bracelet with silver/platinum clasp		<i>Not included</i>	not valued	
Catalogue	Description	#50	E A R R I N G S		
50a	Earrings: platinum onyx & diamond "Panthere" Creoles hoop earrings/408 diamonds&32 fancy shaped onyx pieces			\$30,000.00	Brown#14
50b	Clip is 18K white gold; Earrings: platinum all pear shaped diamond drop earrings; each contains 1-9.50 ct pear shaped diamond; 2- 50pt pear shaped diamonds; 2- 60 pt pear shaped diamonds; 2- 75pt pear shaped diamonds; 2- 1.25ct pear shaped diamonds, all G color, VS 2 quality. Each also contains 1- .30pt pear shaped diamond; 1- 50pt pear shaped diamond; 1- 13.50ct pear shaped diamond all H color, SI 2 quality			\$600,000.00	Brown#6
50c	Platinum diamond cluster w/detachable drops; top cluster contains 4 rd diamonds; 2 pear shaped diamonds; 10 marquise diamonds in each earring, all averaging .65pts and 1 center 2.15ct rd diamond. Detachable drop contains 1- .25pt rd diamond; 2- .20pt marquise diamonds; 1- .06pt rd diamond, 12 rd diamonds, total			\$155,000.00	Brown#5

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40e rings, 18kt sold, sugar loaf citrine, orange garnet; 18kt yellow gold
Cabachon citrine ear clips; orange glass cameo brooch w/8 bezel set citrines. WES
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Catalogue	Description	#60	R	I	N	G	S				Brown/#42
50d	weight 1.25cts all surrounding 3.50ct pear shaped diamond, all F color, VS 1 quality Earrings: 18k-yellow-gold amethyst & diamond drop earrings. Asprey design. Each contains 1 faceted amethyst surrounded by attending amethyst and round diamonds, approx. 70pts total, and cylindrical faceted amethyst steps with pave diamond cap. Each cap contains 60pts of diamonds, F color, VS 1 quality. <i>Not included</i>									\$11,000.00	
60a	Ring: Platinum 2 tapered baguette pear shaped diamond solitaire engagement ring/each weighing approx. .45pts F color, VS 1 quality. Ring also contains 1 center pear shaped diamond weighing approx. 20.47cts, F color, SI 1 quality, excellent cut & brilliant.									\$475,000.00	Brown/#1
60b	Ring: 14K yellow gold TRIPLE row pave diamond & sapphire ring; contains 3 gem quality oval 2.25ct sapphires; each of 3 sections of the ring contain 28 full-cut diamonds, total approx weight in each 1.75cts, F color, VS 1 quality. Total weight: 5.25 cts									\$14,500.00	Brown/#17
60d	Ring: 18k white gold Persian turquoise and diamond ring. Contains 1 center 24x16 Persian turquoise, surrounded by 28-.03pt round diamonds, which in turn is surrounded by 32-.05pt round diamonds, all F color, VS 1 quality									\$7,500.00	Brown/#31
60e	Ring/Pendant: platinum star sapphire & diamond ring/pendant, ballerina design with approx. 5.50cts of matched tapered baguettes; 36-.03pt diamonds surrounding 1 center deep blue 20.0ct star sapphire with distinct delineation and 5 point star									\$24,500.00	Brown/#13

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Necklace: Double strand sodalite & Carnelian, contain 2 lapis knot-motif carvings, w/ approx 200 ct. light-yellow citrine attached *WES*

Sterling silver bead necklace w/ large double sided rotative pendant with *WES*
inlaid humming bird motif featuring mother of pearl & turquoise, &

Bracelet: Heave striking silver cuff bracelet w/ inlaid mother of pearl, turquoise & turtle-shell, duck-motif signed: "C. Bowie" *WES*

Earrings: 18 kt gold featuring pear-shaped blue sapphires, 48 round cut brilliant diamonds, approx. 0.02 cts. each & 6 baguette diamonds approx. 0.05 cts. each *WES*

Rings: Tiffany, Schlumberger yellow & white sold rings, with diamond "t" motifs. *WES*
32 round brilliant cut diamonds (approx. 0.015 cts each).

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