

09-24-2001



Form PTO-1594  
(Rev. 03/01)  
OMB No. 0651-0027 (exp. 5/31/2002)

101853155

U.S. DEPARTMENT OF COMMERCE  
U.S. Patent and Trademark Office

Tab settings ⇌ ⇌ ⇌ ▼ ▼ ▼ ▼ ▼ ▼ ▼

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

9-24-01

1. Name of conveying party(ies):  
Martin and MacFarlane, Inc.

Individual(s)                       Association  
 General Partnership               Limited Partnership  
 Corporation-State  
 Other \_\_\_\_\_

Additional name(s) of conveying party(ies) attached?  Yes  No

2. Name and address of receiving party(ies)  
Name: Martin Brothers Winery, LLC  
Internal \_\_\_\_\_  
Address: \_\_\_\_\_  
Street Address: P.O. Box 7003  
City: Paso Robles State: CA Zip: 93447

Individual(s) citizenship \_\_\_\_\_  
 Association \_\_\_\_\_  
 General Partnership \_\_\_\_\_  
 Limited Partnership \_\_\_\_\_  
 Corporation-State \_\_\_\_\_  
 Other Limited Liability Company

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)  
Additional name(s) & address(es) attached?  Yes  No

3. Nature of conveyance:  
 Assignment                               Merger  
 Security Agreement                       Change of Name  
 Other \_\_\_\_\_

Execution Date: July 28, 1998

4. Application number(s) or registration number(s):  
A. Trademark Application No.(s) \_\_\_\_\_

B. Trademark Registration No.(s) 1922336  
1954274

Additional number(s) attached  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:  
Name: William V. Douglass  
Internal Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Street Address: 1102 Laurel Lane  
\_\_\_\_\_  
\_\_\_\_\_  
San Luis  
City: Obispo State: CA Zip: 93401

6. Total number of applications and registrations involved: ..... 2

7. Total fee (37 CFR 3.41).....\$ 65.00

Enclosed  
 Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.  
*To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.*

William V. Douglass                              WV Douglass                              September 17, 2001  
Name of Person Signing                              Signature                              Date

Total number of pages including cover sheet, attachments, and document:   

Mail documents to be recorded with required cover sheet information to:  
Commissioner of Patent & Trademarks, Box Assignments  
Washington, D.C. 20231

TRADEMARK  
REEL: 002371 FRAME: 0206

## AGREEMENT FOR PURCHASE AND SALE OF ASSETS

This Agreement for Purchase and Sale of Assets ("Agreement") is made this 30th day of June, 1998 (the "Effective Date"), by and among MARTIN & MacFARLANE, INC., a California corporation, doing business as "MARTIN OUTDOOR ADVERTISING" ("Seller"), and MARTIN BROTHERS WINERY, LLC, a California limited liability company ("Buyer").

### RECITALS

A. Seller owns and operates a vineyard, wine tasting room, administrative offices and certain outdoor advertising structures in connection with its winery business known commonly as Martin Brothers Winery (the "Business").

B. The Business is operated from real property owned by Seller in San Luis Obispo County, California (the "Real Property"), all as more particularly described in Schedule B to this Agreement.

C. Buyer desires to purchase specified assets from Seller and Seller desires to sell specified assets to Buyer used in the conduct of the Business, pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, representations and warranties contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### TERMS AND CONDITIONS

#### **1. PURCHASE AND SALE OF ASSETS.**

1.1 Agreement for Purchase and Sale of Assets. Pursuant to the terms and conditions contained in this Agreement, Seller agrees to sell, transfer, assign and deliver to Buyer and Buyer agrees to purchase from Seller specified rights, titles and interests of Seller in and to the assets and properties of Seller, real and personal, tangible or intangible of every kind and description used by Seller in connection with the operation of the Business as a going concern (the "Assets"), all as defined below.

1.2 Purchased Assets. The Assets shall include the following:

(a) The five (5) outdoor advertising structures, together with all components, fixtures, parts, business licenses, permits, tags, leases, easements, licenses, appurtenances, and equipment attached to or made a part thereof or for which Seller has any rights (collectively, the "Structures"), as listed on Schedule 1.2(a);

(b) All rights under existing and pending sales and advertising contracts associated with the Structures, and all rights to the advertising copy displayed on the Structures as of the Closing Date (collectively, the "Advertising Contracts");

(c) All furniture fixtures and equipment of the Business, including, without limitation, the items listed on Schedule 1.2(c);

(d) All original files, correspondence, contracts, books and other records of Seller relating to the operation of the Business (collectively, the "Books and Records");

(e) All of Seller's rights, titles and interests in and to the Real Property, together with all easements, rights of way, leases and licenses appurtenant thereto;

(f) All of Seller's goodwill and going concern value of the Business;

(g) All of Seller's tradenames, trademarks, intellectual property and other intangible property rights of the Business, including, without limitation, the items listed on Schedule 1.2(g);

(h) All of Seller's rights, titles and interests in and to all transferable liquor sales and distribution licenses and permits, including, without limitation, those listed on Schedule 1.2(h) (the "Licenses");

(i) All of Seller's cash accounts receivable and inventory (collectively, the "Current Assets") existing as of the Closing Date, which shall be no less than \$1,672,242.00, as detailed in Schedule 1.2(i); and

(j) All rights (including any benefits arising therefrom), causes of action, claims and demands of whatever nature (whether or not liquidated) of Seller to the Assets described in subparagraphs 1.2(a)-(i) above, including, without limitation, proceeds received after the Closing Date and all rights against suppliers under warranties covering any of the same.

1.3 Excluded Assets. Notwithstanding anything to the contrary contained herein, all personal property and real property of Seller not listed in Section 1.2 are excluded from the Assets and shall be retained by Seller (the "Excluded Assets").

1.4 Agreement to Assume Certain Liabilities. At the Closing, Buyer shall assume and agree to discharge and perform all liabilities and obligations attributable to the Business or the Assets, which shall include, without limitation all accounts payable of the Business existing as of the Closing Date and the deed of trust of record in favor of Virgil and Ruth Rose (the "Rose Mortgage"), as secured by a portion of the Real Property (collectively, the "Assumed Liabilities").

1.5 Excluded Liabilities. All claims against any liabilities and obligations of Seller not specifically assumed by Buyer pursuant to this Agreement (the "Excluded Liabilities"), including, without limitation, the following claims against and liabilities of Seller, are excluded and shall not be

assumed or discharged by Buyer. The Excluded Liabilities shall be discharged in full when due by Seller, whether before or after the Closing:

- (a) Any liabilities arising prior to the Closing Date and not attributable to the Assets or the Business;
- (b) Any liabilities for or related to indebtedness of Seller to any third party, other than the Assumed Liabilities; and
- (c) Any liabilities of Seller for or with respect to any employees of Seller, including, without limitation, any liabilities pursuant to any compensation, vacation, sick leave, personal time, collective bargaining, pension, retirement, severance, termination, or other benefit plan, agreement or arrangement.

## 2. CONSIDERATION

2.1 Purchase Price. As consideration for its purchase of the Assets, Buyer shall pay to Seller Three Million Sixty-Two Thousand Dollars One Hundred Ninety-Four Dollars (\$3,062,194.00), plus the Current Assets, less the Assumed Liabilities as of the Closing Date (the "Purchase Price"). The Purchase Price shall be paid in cash or by wire transfer of immediately available funds on the Closing Date.

2.2 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets in accordance with Schedule 2.2.

2.3 Sales Tax. If any sales tax is due as a result of Seller's sale of the Assets to Buyer, Buyer shall solely be responsible for the payment of all sales tax due. Buyer shall be solely responsible for any other taxes associated with the sale and transfer of the Assets and the Business, whether due before or after the Closing Date.

2.4 Prorations. There shall be prorated between Buyer and Seller as of the Closing Date all fees and expenses related to the Business, including utilities, prepaid deposits, and all other items necessary to allocate the benefits and burdens of ownership of the Assets before and after the Closing Date. All items to be prorated between Buyer and Seller hereunder shall be estimated by Seller five (5) calendar days prior to the Closing Date and delivered to Buyer. All credits and prorated expenses shall be fixed and reconciled between the parties and paid by the responsible party no than the forty-fifth (45<sup>th</sup>) day following the Closing Date (the "Proration Date").

(a) Seller agrees to furnish Buyer with any documents or records that may be needed for Buyer to confirm the adjustment and prorations in this Section 2.4. If any dispute arises over any amount to be refunded or paid under this Section 2.4, such refund or payment shall nonetheless be promptly made to the extent such amount is not in dispute. If any such dispute cannot be resolved by the parties, it shall be referred to a mutually acceptable independent public accounting firm of national stature that has not been employed by any party for the two (2) years preceding the

Closing Date. The determination of such firm shall be conclusive and binding on each party hereto. The fees of such firm shall be paid fifty percent (50%) by Seller and fifty percent (50%) by Buyer.

### 3. CLOSING.

3.1 Transfer of Title. The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Seller on [July 28, 1998], or at such other time and place as the parties may agree to in writing (the "Closing Date"); it being understood and agreed that for all purposes the Closing shall be effective as of 12:00 a.m. on the Closing Date. At the Closing, for and in consideration of the Purchase Price, Seller shall deliver or cause to be delivered to Buyer the following:

(a) A Bill of Sale to Buyer for the personal property portion of the Assets, in the form of Schedule 3.1(a), and other appropriate instruments of assignment and transfer reasonably requested by Buyer for all the Assets described herein;

(b) An Assignment of all Permits, Advertising Contracts, leases, and contracts related to all or any portion of the Assets, in the form of Schedule 3.1(b);

(c) Originals of all Books and Records relating to all or any portion of the Assets;

(d) Releases of any and all Uniform Commercial Code financing statements (the "Financing Statements") filed against all or any portion of the Assets, terminating any and all liens, charges and encumbrances on the Assets, duly executed by Seller, and copies of documentation from vendors or lenders, if any, evidencing full satisfaction of any and all debt secured by the Assets, as well as any other documents reasonably requested by Buyer or its lenders to terminate any liens against all or any portion of the Assets, including but not limited to the Financing Statements listed on Schedule 3.1(d);

(e) Grant deeds, in recordable form, transferring title to the Real Property to Buyer, together with a commitment from a national title company to issue a CLTA owner's extended coverage policy of title insurance, insuring Buyer's title to the Real Property in an amount equal to the portion of the Purchase Price allocated to the Real Property in Schedule 2.2; and;

(f) Any and all third party consents necessary to transfer the Assets to Buyer, including but not limited to any leases of real or personal property.

### 4. DUE DILIGENCE.

4.1 Inspection and Review Period. Buyer shall have up to fifteen (15) calendar days from and after the Effective Date (the "Commitment Date") to satisfy itself as to all matters affecting the Assets, including but not limited to the physical condition of the Assets, Seller's title to the Assets, Leases, the Permits and the status of the Advertising Contracts. At the end of the fifteen (15) day period (the "Due Diligence Period"), Buyer must either waive all contingencies or unilaterally

terminate this Agreement in writing.

(a) Throughout the Due Diligence Period, Buyer and its authorized agents will have reasonable access to the Assets for the express purposes of inspecting and testing the Asset's physical condition, reviewing Seller's records for the Assets (including the Advertising Contracts, Leases and Permits). Buyer will bear all costs for its inspection activities of the Assets.

4.2 Preliminary Report of Title. Within five (5) calendar days from the Effective Date, Seller shall provide Buyer with Preliminary Reports of Title for each parcel of the Real Property, together with copies of all documents shown as exceptions to title in Schedule B thereto (collectively, the "Preliminary Reports"). The Preliminary Reports shall be issued by Chicago Title Insurance Company.

(a) Prior to the expiration of ten (10) calendar days after its receipt of the Preliminary Title Report, Buyer will give Seller written notice of any exceptions shown therein not acceptable to Buyer (the "Title Exceptions"). In the event Buyer fails to deliver to Seller written notice of any Title Exceptions prior to the expiration of ten (10) calendar days after Purchaser's receipt of the Preliminary Report, such failure shall be deemed a waiver of any Title Exceptions.

(b) Within five (5) calendar days after its receipt of a notice of any Title Exceptions from Buyer, Seller shall notify Buyer in writing of its agreement to remove to the reasonable satisfaction of Buyer any Title Exceptions on or prior to the Closing, or to commit to Buyer that all such Title Exceptions shall be cured as of the Closing Date. If Seller shall fail to agree to remove or cure the Title Exceptions prior to the Closing, then Buyer shall have the choice of: (i) accepting the Real Property with such Title Exceptions; or (ii) terminating this Agreement, such choice to be exercised by written notice to Seller given not later than three (3) calendar days following Buyer's receipt of notice from Seller that Seller will not cure the Title Exceptions. In the event Buyer fails to deliver Seller written notice of its choice within the required period, Buyer shall be deemed to have agreed to accept the Real Property with the Title Exceptions.

4.3 Termination. At any time during the Due Diligence Period, Buyer may unilaterally terminate this Agreement by written notice to Seller. Upon the unilateral termination of this Agreement by Buyer at any time during the Due Diligence Period, the parties shall have no further rights or duties to each other hereunder, and this Agreement shall become null and void.

## 5. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller represents and warrants to Buyer as follows:

### 5.1 Organization and Good Standing.

(a) Seller is a corporation duly organized, validly existing, and in good standing under the laws of California. Seller has full power and authority to conduct the Business as it is now being conducted, to own or use the Assets, and to perform all its obligations hereunder. Seller

is duly qualified and in good standing to do business in each jurisdiction in which the property owned, leased or operated by it or the nature of the Business conducted by it makes such qualification necessary, including the State of California.

5.2 Authority; No Conflict.

(a) This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms. Upon the execution and delivery by Seller of any closing documents to be executed at Closing pursuant to this Agreement, such closing documents shall constitute the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms. Seller has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the closing documents to which it shall be a party and to perform its obligations hereunder.

(b) Except as set forth in Schedule 5.2(b), neither the execution and delivery by Seller of this Agreement, nor the consummation or performance by Seller of its duties under this Agreement will:

(i) conflict with, violate or result in a breach of (A) any legal requirement or any order to which Seller or any of the Assets may be subject; or (B) any contract to which Seller is a party, or by which Seller or the Assets may be bound; or

(ii) (A) contravene, conflict with, or result in a violation or breach of any provision of, or give any person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any interest or rights of Seller in or to the Assets; or (B) result in the imposition or creation of any security interest upon or with respect to any of the Assets.

(c) Except as set forth in Schedule 5.2(c), Seller is not and will not be required to give any notice to or obtain any consent from any person or entity in connection with the execution and delivery of this Agreement or the consummation or performance of any of the transactions contemplated hereunder.

5.3 Solvency. By consummating the transactions contemplated hereby, Seller shall not hinder, delay or defraud any of Seller's present or future creditors. Before giving effect to the transactions contemplated hereby, Seller has been paying its debts in the ordinary course of business.

5.4 Books and Records. The books of account and other Books and Records of Seller maintained in connection with the Assets and the Business are substantially complete and correct in all material respects and have been maintained in accordance with reasonable business practices.

5.5 Structures. Seller owns all of the Structures. Each of the Structures is in a commercially reasonable condition to accept faces and is in good condition and repair, ordinary wear and tear excepted.

5.6 Litigation. Except as set forth in Schedule 5.6, there is no pending or threatened litigation, action, claim or proceeding affecting Seller, all or any portion of the Assets or the Business. As outlined in Section 9.7 below, Seller must resolve to Buyer's reasonable satisfaction all pending litigation affecting the Assets prior to the Closing Date.

5.7 Title; Encumbrances. Except as set forth on Schedule 5.7, (i) Seller owns or has good and marketable title to all of the Assets (including the Real Property); and (ii) all of the Assets (including the Real Property) are owned by Seller free and clear of all security interests, mortgages, pledges, options, charges, liens and encumbrances, except for liens for taxes not yet due and payable.

5.8 Taxes. To its Knowledge, Seller has filed all federal, state and local tax returns within the times and in the manner prescribed by law, and has paid all taxes, assessments and penalties due and payable. There are no present disputes as to taxes of any nature payable by Seller. Seller has withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor or other third party.

5.9 Consummation of Transactions. To its Knowledge, the consummation of the transactions contemplated by this Agreement do not and will not (i) violate any provision of applicable law or any permit, license, promissory note, conditional sales contract, commitment, indenture, mortgage, deed of trust or other agreement, instrument or arrangement to which Seller is a party or by which it or any of the Assets is bound; (ii) violate any order, judgment, or decree of any court or other agency of government binding on Seller; or (iii) result in or require the imposition of any lien, claim, tax or demand upon any of the Assets.

5.10 Fees or Commissions. Seller has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Buyer could be liable or obligated.

5.11 Insurance. Seller maintains in full force and effect policies of liability, title and other forms of insurance covering the Assets and the Business, and the operation thereof, of the types and with the amounts of coverage as are consistent with industry standards for businesses comparable to the Business.

## **6. REPRESENTATIONS AND WARRANTIES OF BUYER.**

Buyer represents and warrants to Seller as follows:

6.1 Organization and Good Standing. Buyer is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of California, and Buyer has all necessary powers to own its properties and to carry on its business as now owned and operated.

6.2 Authority. Buyer has the right, power, legal capacity and authority to enter into



and perform its obligations under this Agreement. The execution and delivery of this Agreement by Buyer has been duly authorized by all necessary action on the part of Buyer.

6.3 No Conflict. The consummation of the transactions contemplated by this Agreement do not and will not (i) violate any provision of applicable law or any lease, permit, license, promissory note, conditional sales contract, commitment, indenture, mortgage, deed of trust or other agreement, instrument or arrangement to which Buyer is a party or by which it or its property is bound; or (ii) violate any order, judgment or decree of any court or other agency of government binding on Buyer.

6.4 Fees or Commissions. Buyer has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement for which Seller could be liable or obligated.

## 7. COVENANTS OF SELLER.

7.1 Access to Information. Seller shall permit Buyer, its counsel, accountants and other authorized representatives to have full access during normal business hours to all properties, books, records, contracts and documents of or relating to the Assets or the Business, and furnish Buyer and its representatives with copies of the same. Seller shall also cooperate with Buyer to provide all information reasonably available and take all actions reasonably requested by Buyer in conjunction with the requirements of Buyer's lenders.

7.2 Representations and Warranties. All representations and warranties of Seller in this Agreement or in any written statement or certificate that shall be delivered to Buyer under this Agreement shall be true as of the date of this Agreement and on and as of the Closing Date as though such representations and warranties were made on and as of such date.

7.3 Maintenance. Seller shall maintain the Assets and the Business in the same condition as that existing on the date of execution of this Agreement, ordinary wear and tear excepted. Seller shall, without making any commitments on behalf of Buyer, preserve its present relationships with advertisers, lessors and others having business relationships with Seller or the Business through the Closing Date. Seller shall do nothing outside of the ordinary course for the Business prior to the Closing Date.

7.4 Existing Agreements. Seller shall not modify, amend, cancel, renew or terminate any of its existing contracts, leases or agreements in any way related to the Assets or the Business, or agree to do any of those acts without the prior written consent of Buyer.

7.5 Consents. As soon as possible following the execution and delivery of this Agreement, and in any event on or before the Closing Date, Seller shall obtain the written consent of all necessary third parties to the transfer of the Assets hereunder, and Seller shall furnish to Buyer executed copies of all such consents on or before the Closing Date.

7.6 Litigation. No action, suit or proceeding shall be pending or threatened before

any court or quasi-judicial or administrative agency of any federal, state or foreign jurisdiction or before any arbitrator where an unfavorable injunction, judgment, order, decree, ruling or charge would: (i) prevent consummation of any of the transactions contemplated by this Agreement; (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation; or (iii) affect adversely the right of Buyer to own the Assets.

7.7 Consummation of Agreement. Seller shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Seller on or before the Closing Date.

7.8 Corporate Action. Seller will take all necessary corporate action required of it to carry out the transactions contemplated by this Agreement.

7.9 Confidential Information. Whether or not the transactions contemplated by this Agreement are consummated, Seller shall not disclose to third parties any information designated as confidential and received from Buyer or its agents in the course of investigating, negotiating and completing the transactions contemplated by this Agreement, including but not limited to the Purchase Price. Nothing shall be deemed to be confidential information which: (i) is known to Seller at the time of its disclosure to it; (ii) becomes publicly known or available other than through disclosure by Seller; (iii) is rightfully received by Seller from a third party; or (iv) is independently developed by Seller.

7.10 Notice of Proceedings. Seller will promptly notify Buyer in writing upon becoming aware of any order or decree or any complaint praying for an order or decree restraining or enjoining the consummation of this Agreement or the transactions contemplated hereunder, or upon receiving any notice from any governmental department, court, agency or commission of its intention to institute an investigation into, or institute any action or proceeding to restrain or enjoin consummation of this Agreement or such transactions, or to nullify or render ineffective this Agreement or such transactions, if consummated.

## 8. COVENANTS OF BUYER.

8.1 Representations and Warranties. All representations and warranties of Buyer contained in this Agreement or in any written statement delivered to Seller under this Agreement shall be true on and as of the Closing Date as though such representations and warranties were made on and as of such date.

8.2 Litigation. No action, suit or proceeding shall be pending or threatened before any court or quasi-judicial or administrative agency of any federal, state or foreign jurisdiction or before any arbitrator where an unfavorable injunction, judgment, order, decree, ruling or charge would: (i) prevent consummation of any of the transactions contemplated by this Agreement; or (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling or charge shall be in effect).

8.3 Consummation of Agreement. Buyer shall have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by Buyer on or before the Closing Date.

8.4 Company Action. Buyer will take all necessary company action required of it to carry out the transactions contemplated by this Agreement.

8.5 Confidential Information. If for any reason the transactions contemplated in this Agreement are not consummated, Buyer shall not disclose to third parties any information designated as confidential and received from Seller or its agents in the course of investigating, negotiating and completing the transactions contemplated by this Agreement. Nothing shall be deemed to be confidential information which: (i) is known to Buyer at the time of its disclosure to it; (ii) becomes publicly known or available other than through disclosure by Buyer; (iii) is rightfully received by Buyer from a third party; or (iv) is independently developed by Buyer.

## 9. CONDITIONS PRECEDENT TO BUYER'S OBLIGATION TO CLOSE.

Buyer's obligation to purchase the Assets and to take the other actions required to be taken by Buyer at the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Buyer, in whole or in part):

9.1 Accuracy of Representations. Seller's representations and warranties in this Agreement must have been accurate in all material respects as of the date of this Agreement, and must be accurate in all material respects as of the Closing Date as if made on the Closing Date, and Buyer shall have received a certificate of Seller, dated as of the Closing Date, as to such accuracy.

9.2 Seller's Performance. The covenants and obligations that Seller is required to perform or to comply with pursuant to this Agreement at or prior to the Closing must have been performed and complied with in all material respects, including, without limitation, the release of all Financing Statements and the obtaining of all required consents.

9.3 No Proceedings. Since the date of this Agreement, there must not have been commenced and pending or threatened any proceeding (i) involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated by this Agreement; (ii) that prevents, makes illegal, or otherwise materially interferes with any of the transactions contemplated by this Agreement or seeks to do any of the foregoing; or (iii) that involves any material claim against Seller.

9.4 No Material Adverse Change. There shall not have been a material adverse change in the Assets or the Business since the Effective Date. For purposes of this Agreement, a "material adverse change" shall be any item or event having an economic impact of greater than Ten Thousand Dollars (\$10,000.00).

9.5 Risk of Loss. Risk of loss concerning all or any portion of the Assets shall be

on Seller prior to the Closing Date. Should any of the Assets be lost or destroyed prior to the Closing Date, Buyer may unilaterally terminate this Agreement, or choose to proceed with its purchase of the Assets, subject to a reduction in the value of the Purchase Price equal to the fair market value of the lost or destroyed Asset(s).

9.6 Additional Documents. Each of the following documents must have been delivered to Buyer:

(a) The deliveries required from Seller pursuant to this Agreement; and

(b) Such other documents as Buyer may reasonably request for the purpose of (i) evidencing the satisfaction of any condition referred to in this Article 9; or (ii) otherwise facilitating the consummation or performance of any of the transactions contemplated by this Agreement.

9.7 Pending Litigation. Seller must have resolved all pending litigation outlined in in Schedule 5.6 to Buyer's reasonable satisfaction.

## 10. CONDITIONS PRECEDENT TO SELLER'S OBLIGATION TO CLOSE.

Seller's obligation to sell the Assets and Seller's obligations to take the other actions required to be taken by Seller at the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Seller, in whole or in part):

10.1 Accuracy of Representations. Buyer's representations and warranties in this Agreement must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

10.2 Buyer's Performance. The covenants and obligations that Buyer is required to perform or to comply with pursuant to this Agreement at or prior to the Closing must have been performed and complied with in all material respects.

10.3 Additional Documents. Buyer must have caused the following documents to be delivered to Seller:

(a) The deliveries required from Buyer pursuant to this Agreement; and

(b) Such other documents as Seller may reasonably request for the purpose of (i) evidencing the satisfaction of any condition referred to in this Article 10; or (ii) otherwise facilitating the consummation of any of the transactions contemplated by this Agreement.

10.4 No Proceedings. Since the date of this Agreement, there must not have been commenced and pending or threatened any proceeding (i) involving any challenge to, or seeking damages or other relief in connection with, any of the transactions contemplated by this Agreement; or (ii) that prevents, makes illegal, or otherwise materially interferes with any of the transactions contemplated by this Agreement, or seeks to do any of the foregoing.

10.5 Licensing. Buyer must have been issued or been authorized to accept the transfer of any and all state and federal licenses and permits necessary for Buyer to operate the Business. The proper licensing of Buyer to operate the Business is an express condition precedent to the Closing.

## 11. TERMINATION.

11.1 Termination Events. This Agreement may, by notice given prior to or at the Closing, be terminated:

(a) By mutual consent of Buyer and Seller;

(b) (i) By Buyer if any of the conditions in Article 9 have not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Buyer to comply with its obligations under this Agreement) and Buyer has not waived such condition on or before the Closing Date; or (ii) by Seller, if any of the conditions in Article 10 have not been satisfied as of the Closing Date or if satisfaction of such conditions is or becomes impossible (other than through the failure of Seller to comply with its obligations under this Agreement) and Seller has not waived such condition on or before the Closing Date; or

(c) By Buyer, on the one hand, or Seller, on the other hand, if the Closing has not occurred (other than through the failure of either party seeking to terminate this Agreement to comply fully with its obligations under this Agreement) on or before [October] 1, 1998.

11.2 Effect of Termination. Each party's right of termination under this Article 11 is in addition to any other rights it may have under this Agreement. If this Agreement is terminated pursuant to this Article 11, all further obligations of the parties under this Agreement will terminate; provided, however, that if this Agreement is terminated by a party because of the breach of the Agreement by the other party or because one or more of the conditions to the terminating party's right to pursue all legal and equitable remedies, separately or simultaneously, (including specific performance) will survive such termination unimpaired.

## 12. INDEMNIFICATION.

12.1 Survival; Limitations. The several representations, warranties, covenants and agreements of Seller and Buyer contained in or made pursuant to this Agreement shall be deemed to have been made on the Closing Date, but shall not survive the Closing.

12.2 Indemnification of Buyer. Subject to the limitations set forth herein, Seller agrees that it shall indemnify, defend and hold Buyer, its members, managers, employees and agents (each, a "Buyer Indemnified Party") harmless from and against any and all damages, claims, losses, expenses, costs, obligations and liabilities (whether contingent, fixed or unfixed, liquidated or unliquidated, or otherwise), including without limitation, liabilities for reasonable attorneys' fees and disbursements (collectively, "Loss and Expense"), suffered directly or indirectly by Buyer by reason

of, or arising out of:

(a) Any breach of a representation or warranty made by Seller pursuant to this Agreement;

(b) Any failure by Seller to perform or fulfill any of its covenants or agreements set forth in this Agreement; or

(c) Any failure by Seller to pay or perform when due any of its liabilities or obligations (including without limitation any liability for taxes) which are not Assumed Liabilities.

12.3 Indemnification of Seller. From and after the Closing Date, Buyer agrees that it shall indemnify, defend and hold Seller its officers, directors, shareholders, employees and agents (each, a "Seller Indemnified Party") harmless from and against any and all Loss and Expense suffered directly or indirectly by Seller by reason of, or arising out of:

(a) any breach of representation or warranty made by Buyer pursuant to this Agreement;

(b) any failure by Buyer to perform or fulfill any of its covenants or agreements set forth in this Agreement;

(c) any failure by Buyer to pay or discharge on or subsequent to the Closing Date any liabilities or obligations assumed by Buyer hereunder as Assumed Liabilities or incurred or first required to be performed by Buyer on or after the Closing Date; or

(d) any litigation, proceeding or claim by any third party in any way related to the Assets or the Business from and after the Closing Date. It is the express agreement and intent of the parties that Buyer shall indemnify, save and hold each Seller Indemnified Party harmless from any and all Loss and Expense arising from any and all third party claims regarding the Assets or the Business from and after the Closing Date, including but not limited to any and all product liability claims.

12.4 Indemnification Procedure for Third Party Claims. In the event that subsequent to the Closing any person or entity entitled to indemnification under this Agreement (an "Indemnified Party") asserts a claim for indemnification or receives notice of the assertion of any claim or of the commencement of any action or proceeding by any entity who is not a party to this Agreement or an Affiliate of such a party, including, but not limited to any Governmental Entity (a "Third Party Claim") against such Indemnified Party, against which a Party is required to provide indemnification under this Agreement (an "Indemnifying Party"), the Indemnified Party shall give written notice together with a statement of any available information regarding such claim to the Indemnifying Party within thirty (30) days after learning of such claim (or within such shorter time as may be necessary to give the Indemnifying Party a reasonable opportunity to respond to such claim). The Indemnifying Party shall have the right, upon written notice to the Indemnified Party (the "Defense Notice") within thirty (30) days after receipt from the Indemnified Party of notice of such claim, which notice by the Indemnifying Party shall specify the counsel it will appoint to defend such claim ("Defense Counsel"), to conduct at its expense

the defense against such claim in its own name, or if necessary in the name of the Indemnified Party; provided, however, that the Indemnified Party shall have the right to approve the Defense Counsel, which approval shall not be unreasonably withheld or delayed.

(a) In the event that the Indemnifying Party shall fail to give such notice, it shall be deemed to have elected not to conduct the defense of the subject claim, and in such event the Indemnified Party shall have the right to conduct such defense in good faith and to compromise and settle the claim without prior consent of the Indemnifying Party and the Indemnifying Party will be liable for all costs, expenses, settlement amounts or other Loss and Expense paid or incurred in connection therewith.

(b) In the event that the Indemnifying Party does elect to conduct the defense of the subject claim, the Indemnified Party will cooperate with and make available to the Indemnifying Party such assistance and materials as may be reasonably requested by it, all at the expense of the Indemnifying Party, and the Indemnified Party shall have the reasonable right at its expense to reasonably participate in the defense assisted by counsel of its own choosing, provided that the Indemnified Party shall have the right to compromise and settle the claim only with the prior written consent of the Indemnifying Party, which consent shall not be reasonably withheld or delayed. Without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed, the Indemnifying Party will not enter into any settlement of any Third Party Claim or cease to defend against such claim, if pursuant to or as a result of such settlement or cessation, (i) injunctive or other equitable relief would be imposed against the Indemnified Party or its Affiliates, or (ii) such settlement or cessation would lead to liability or create any financial or other obligation on the part of the Indemnified Party or its Affiliates for which the Indemnified Party is not entitled to indemnification hereunder. If a firm offer is made to settle a Third Party Claim, which offer the Indemnifying Party is permitted to accept pursuant to the preceding sentence, and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party will give written notice to the Indemnified Party to that effect. If the Indemnified Party notifies the Indemnifying Party that it does not wish such offer to be accepted within twenty (20) calendar days after its receipt of such notice, the Indemnified Party may elect by such notice to the Indemnifying Party to continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Indemnifying Party as to such Third Party Claim will not exceed the amount of such settlement offer, plus costs and expenses paid or incurred by the Indemnified Party through the end of such twenty (20) day period. Notwithstanding anything to the contrary contained herein, the Indemnifying Party shall not be entitled to control, and the Indemnified Party shall be entitled to have sole control over, the defense or settlement of any claim to the extent that claim seeks an order, injunction or other equitable relief against the Indemnified Party which, if successful, could have a Material Adverse Effect on the Indemnified Party or its Affiliates (and the cost of such defense shall constitute a Loss and Expense for which the Indemnified Party is entitled to indemnification hereunder).

(c) Any judgment entered or settlement agreed upon in the manner provided herein shall be binding upon the Indemnifying Party, and shall conclusively be deemed to be an obligation with respect to which the Indemnified Party is entitled to prompt indemnification hereunder.

**12.5 Direct Claims.** It is the intent of the parties hereto that all direct claims by an Indemnified Party against a party hereto not arising out of the Third Party Claims shall be subject to and

benefit from the terms of this Article 12. Any claim under this Article 12 by an Indemnified Party for indemnification other than indemnification against a Third Party Claim (a "Direct Claim") will be asserted by giving the Indemnifying Party written notice thereof.

12.6 Failure to Give Timely Notice. A failure by an Indemnified Party to give timely, complete or accurate notice as provided in Sections 12.4 or 12.5 will not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party entitled to receive such notice was deprived of its right to recover any payment under its applicable insurance coverage or to the extent that it was otherwise damaged as a result of such failure to give timely notice.

12.7 Reduction of Loss and Expense. The amount of any Loss and Expense payable with respect to an indemnification claim shall be determined on an after tax basis and reduced by receipt of payment (i) under insurance policies which are not subject to retroactive adjustment or other reimbursements to the insurer in respect of such payment, or (ii) from third parties not Affiliated with the Indemnified Party, such payments (net of the expenses of the recovery thereof), shall be credited against such Loss and Expense. No indemnified party shall take any action the purpose and intent of which is to prejudice the defense of any claim subject to indemnification hereunder or to induce a third party to assert a claim subject to indemnification hereunder.

12.8 Subrogation. The Indemnifying Party shall be subrogated to the Indemnified Party's rights of recovery to the extent of any Loss and Expense satisfied by the Indemnifying Party. The Indemnified Party shall execute and deliver such instruments and papers as are necessary to assign such rights and assist in the exercise thereof, including access to books and records of the Company.

### 13. FURTHER ASSURANCES.

13.1 Further Acts. Seller, at any time after the Closing Date, will execute, acknowledge and deliver any further deeds, assignments, conveyances and other assurances, documents and instruments of transfer reasonably requested by Buyer and will take any other action consistent with the terms of this Agreement that may reasonably be requested by Buyer for the purpose of assigning, transferring, granting, conveying and confirming to Buyer or reducing to Buyer's possession any or all property to be conveyed and transferred by this Agreement and facilitating Buyer's continuation of the commercially reasonable operation of the Business and the Assets. If requested by Buyer, Seller further agrees to prosecute or otherwise enforce in its own name for the benefit of Buyer any claims, rights or benefits that are transferred to Buyer by this Agreement and that require prosecution or enforcement in Seller's name. Any prosecution or enforcement of claims, rights or benefits under this Section 13.1 shall be solely at Buyer's expense, unless the prosecution or enforcement is made necessary by the breach of this Agreement by Seller. These covenants of Seller shall survive the Closing Date.

13.2 Specific Performance. Each party's obligations under this Agreement are unique. If any party should fail to close the transaction contemplated under this Agreement, except as a result of the material default of the other party or due to any right of the other party to terminate hereunder, the parties each acknowledge that it would be extremely impracticable to measure the resulting damages; accordingly, the nondefaulting party, in addition to any other available rights or remedies, may sue in



equity for specific performance, and the parties each expressly waive the defense that a remedy in damages will be adequate.

#### 14. MISCELLANEOUS PROVISIONS.

The following miscellaneous provisions shall apply to this Agreement:

14.1 Attorneys' Fees. If any action or other proceeding is brought for the enforcement of this Agreement, because of any alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party shall be entitled to reasonable attorneys' fees and other costs incurred in that action or proceeding in addition to any other relief to which the party may be entitled.

14.2 Entire Agreement. This Agreement and exhibits hereto constitute the entire agreement among the parties pertaining to the subject matter contained and supersede all prior or contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment to this Agreement shall be binding unless executed in writing by all parties. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

14.3 Counterparts. This Agreement may be executed by the parties in counterpart and the execution of several counterparts shall be as effective as the execution of a single original Agreement.

14.4 Interpretation. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in the Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties.

14.5 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Neither party may assign its rights or duties hereunder without the prior written consent of the remaining party.

14.6 Tax Reporting. Seller and Buyer shall report the sale of Assets covered by this Agreement as specified in Article 2 for all federal and state tax purposes. If any party treats any item in a manner inconsistent with this provision, such party shall indemnify and hold harmless all other parties from all resulting tax liability, penalties, interest and additional assessments asserted by the applicable taxing authorities against such indemnified parties, together with reasonable attorneys' and accountants' fees incurred by such indemnified parties in connection with any examination, negotiation or litigation regarding such liability, penalties, interest and additional assessments. Each party shall cooperate fully with all other parties, shall execute any documents requested by other parties and shall furnish appropriate information and testimony upon request with respect to any such liability asserted by taxing authorities.

14.7 Survival of Representations and Warranties. All representations, warranties, covenants and agreements of the parties contained in this Agreement, or in any instrument, certificate or other writing provided for in it, shall survive the Closing Date for the period(s) stated.

14.8 Notices. Any notice to the parties required or permitted under this Agreement shall be given in writing. The notice shall be deemed to have been given at the following times: (a) on the date of service if served personally on the party to whom notice is to be given; (b) on the first day after transmission if transmitted by telex or electronic facsimile; (c) on the second day after deposit if deposited with an overnight express courier service; or (d) on the third day after mailing if mailed to the party to whom notice is to be given by first class mail, postage prepaid, addressed to the party as follows:

Buyer:                    Martin Brothers Winery, LLC  
                              c/o David B. Weyrich  
                              2550 Creston Ridge Drive  
                              Paso Robles, CA 93446  
                              Fax: (805) 239-1723

Seller:                    Martin & MacFarlane, Inc.  
                              Attention: E. Thomas Martin, President  
                              P.O. Box 7003  
                              Paso Robles, CA 93447-7003  
                              OR  
                              1245 Vine Street  
                              Paso Robles, CA 93446  
                              Fax: (805) 239-1723

With a copy to:        Andre, Morris & Buttery  
                              Attention: J. Todd Mirolla, Esq.  
                              P.O. Box 730  
                              1304 Pacific Street  
                              San Luis Obispo, CA 93406  
                              Fax: (805) 543-0752

Any party may change its address for purposes of this Section by giving the other party written notice of the new address in the manner set forth above.

14.9 Governing Law. This Agreement is governed by the laws of the State of California.

14.10 Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable in any respect, such provision shall be deemed ineffective to the extent of such invalidity, illegality or unenforceability without invalidating or impairing the remainder of such provision or the remaining provisions of this Agreement.

14.11 Time of the Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the parties under this Agreement.

14.12 Assignment. This Agreement shall not be assigned by Seller. Buyer shall have the right to assign this Agreement to its successors or assigns.

14.13 Public Announcements. No public announcement (including an announcement to employees) or press release concerning the transactions provided for herein shall be made by an party without the prior written approval of the other party.

14.14 Definitions. For purposes of this Agreement:

(a) "Affiliate" or any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first person.

(b) "Governmental Entity" means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

(c) "Knowledge" (i) concerning Seller means, with respect to the matter in question, if any executive officer of Seller has actual knowledge of such matter without any duty of independent investigation and (ii) concerning Buyer means with respect to the matter in question if any of the executive officers of buyer has actual knowledge of such matter without any duty of independent investigation.

(d) "Material Adverse Effect" means, when used in connection with the Seller or Buyer, any change or effect that (i) has had, or is reasonably likely to have a materially adverse impact on the business, operations, or results of operations, assets or condition (financial or otherwise) of such Party, taken as a whole or (ii) substantially impairs or delays the consummation of the transactions contemplated hereby, but, in either such event, shall not include any change or effect that results from (A) conditions, events or circumstances generally affecting the industries in which the Seller or Buyer operate or the economy in general, or (B) any action or change specifically contemplated by the provisions of this Agreement.

(e) "Party" or "Parties" means the Seller on the one hand, and Buyer on the other hand.

(f) "Person" means any natural person, firm, individual, business trust, trust, association, corporation, partnership, joint venture, company, unincorporated entity or Governmental Entity.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

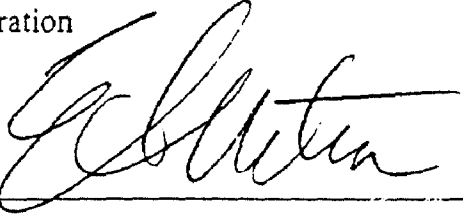
"SELLER"

"BUYER"

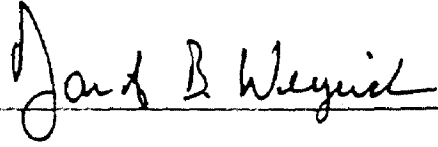
MARTIN & MacFARLANE, INC. a California corporation

MARTIN BROTHERS WINERY, LLC a California Limited Liability Company

By:



By:



Title: President

Title: President

**SCHEDULE B**  
**REAL PROPERTY**

1. The real property and improvements located at 4220 Buena Vista Drive, Paso Robles, California, APN 020-021-048;
2. The real property and improvements located at 2610 Buena Vista Drive, Paso Robles, California, APN 025-391-048;
3. The real property and improvements located at 1012 Experimental Station Road, Paso Robles, California, APN 021-391-010;
4. The real property and improvements located at 1245 Vine Street, Paso Robles, California, APN 009-034-009;
5. The real property and improvements located at 1233 Vine Street, Paso Robles, California, APN 009-034-010; and
6. The real property and improvements located at 1229 Vine Street, Paso Robles, California, APN 009-034-011.

SCHEDULE 1.2(a)  
STRUCTURES

1. Location: #498. Highway 101, north of Niblick Bridge, in the City of Paso Robles, California.
2. Location: #0007. Highway 46 East, near Golden Hill Road, in San Luis Obispo County, California. Back-to-back.
3. Location: on Winery premises. Back-to-back.
4. Location: #0097. Highway 46 East, two miles east of I-5 in Lost Hills, Kern County, California. Back-to-back.
5. Location: #0007. Highway 41, near Kettleman City, California. Back-to-back.

Schedule 1.2(c)  
**FURNITURE, FIXTURES & EQUIPMENT**

Property Desc.    Acquired :

1 - 2150-210 WINERY-OFFICE EQ  
OFFICE EQUIP-WIN 9/01/81  
TASTING ROOM FUR 6/30/87  
CARPETING 8/31/88  
COPY MACHINE 3/31/89  
BANQUET TABLES & 5/31/89  
FURNITURE 6/30/90  
OFFICE EQ 5/31/93  
WINERY INTERFACE 3/31/95  
TOSHIBA LAPTOP C 6/30/96M  
UMBRELLA TABLES 5/21/96M  
TASTING ROOM DIS 7/08/96M  
133 PENTIUM COMP 4/30/97  
WAREHOUSE COMPUT 7/30/97  
WINE CLUB FRT SD 2/28/98  
EPSON 800 PRINTE 3/31/98  
12 FOLDING TABLE 3/31/98

M&M ATM SYSTEM C 4/30/94

- 2160-210 WINERY-AUTO  
94 FORD PICKUP 8/05/94  
1977 GMC DUMP TR 1/09/97

- 2172-210 WINERY-IRRI/WELL  
VINEYARD 81-IRRI 4/01/81  
VINEYARD 82-IRRI 5/01/82  
VINEYARD 83-IRRI 6/01/83  
VINEYARD 84-IRRI 12/01/83  
VINEYARD 85-IRRI 8/01/84  
TASTING ROOM-WEL 6/30/87  
VINEYARD 89-IRRI 7/31/88

- 2174-210 VINEYARDS  
VINEYARD 91 8/31/90  
VINEYARDS 83 6/01/83  
VINEYARDS 84 10/01/83  
VINEYARDS 85 1/01/85

Property Desc.    Acquired

- 2174-210 VINEYARDS  
VINEYARDS 86 6/01/86  
VINEYARDS 87 6/30/87  
VINEYARD STAKES 7/01/87  
VINEYARD 89 6/30/89  
VINEYARD 90 6/30/90  
VINEYARD 92 6/30/92  
VINYRD STAKING LB 11/30/97  
VINEYARD PLANTIN 11/30/97  
VINEYARD GRAFTIN 11/30/97  
VINEYARD STAKES3 11/30/97  
VINEYARD HARVEST 11/30/97  
VINEYARD T-POST 3/31/98

- VARIOUS-WINERY-LAND  
VINEYARD LAND 80 6/01/80  
TASTING ROOM-LAN 6/30/87  
STAGE EXTENSION 5/31/93  
PURCH LAND 1012 2/29/96

- 2180-210 WINERY-VY EQUIP  
VINEYARD EQUIP 6 6/01/81  
VINEYARD EQUIP 8 6/01/83  
VINEYARD EQUIP 8 6/01/84  
VINEYARD EQUIP 8 9/01/84  
BIN TRAILER VINE 7/01/85  
VINEYARD EQUIP 8 7/24/86  
VINEYARD EQUIP 6 5/01/88  
VINEYARD EQUIP 6 2/22/88  
VINEYARD EQUIP 6 11/30/89  
WINERY-AMPHITHEA 6/30/90  
KUBOTA TRACTOR 11 1/31/87  
AG PRO GROUND IN 2/28/95  
HONDA ATV 6/30/95  
VINEYARD WINERY 7/31/96M  
KUBOTA REBUILD-S 3/31/97

- 2182-210 WINERY-EQUIP  
WINERY EQUIP-198 2/01/82  
WINERY & LAB EQ- 6/01/83  
WINERY EQUIP -24 2/01/84  
WINERY EQUIP 1/8 1/01/85  
WINERY 91 EQUIPM 9/30/90  
BARRELS -JAH 86 1/01/86  
STEEL TANK /002 10/31/86  
WATER TANK -87 6/30/87  
WINERY EQUIP 6/8 6/01/88  
WINERY EQUIP 06/ 6/30/89  
WINERY EQUIP 06/ 6/30/90  
33 BARRELS V/T 3 9/31/91  
24 OAK BARREL-14 5/31/92  
CHESTNUT BARRELS 12/31/92

SCHEDULE 1.2(c)  
**FURNITURE, FIXTURES & EQUIPMENT**

Property Desc.    Acquired

1 - 2182-210 WINERY-EQUIP  
WINE FILTER EQUI 5/31/93  
LABORATORY METER 6/30/93  
1000 GAL TANK 6/30/93  
3 OAK BARRELS 6/30/93  
FILTER SYSTEM 7/30/93  
TANKS 10/31/93  
BARRELS 12/31/93  
GLUE SYSTEM 3/31/94  
TANK 3/31/94  
24 CHESTNUT BARREL 8/31/94  
5000 GALLON WATE 6/30/95  
LAWN MOWER TRACT 6/30/95  
25 HP SCREW COMP 8/15/95H  
DELLA TOFFOLA U 8/15/95H  
VARIOUS HARDWARE 8/15/95H  
TWO 5700 GALLON 8/15/95H  
EU 5000 WILKES P 8/15/95H  
15 TON CHILLER S 8/15/95H  
50 USED BOTTLES 8/15/95H  
50 FRENCH OAK BA 8/15/95H  
INSTALLATION SUP 9/01/95H  
10 BARRELS FRANC 9/01/95H  
BARREL RACKS 9/01/95H  
NEW PUMP WINERY 10/31/95H  
GLUE GUN 12/01/95H  
WASHER PURGER 12/01/95H  
PRESSURE WASHER 3/07/96H  
40 TINNED STAVES 6/04/96H  
DISHWASHER, TAST 7/00/96H  
DRAIN INLETS 7/22/96H  
15 BARREL RACKS 8/07/96H  
2-6000 GAL TANKS 8/07/96H  
TIMERS-PRESS 8/21/96H  
10 - OAK BARRELL 9/05/96H  
20 - 200 LITER B 10/15/96H  
BOTTLING LINE 10/01/96H  
BOTTLING LINE 1/31/97  
6000 GALLON TANK 1/31/97  
7-BARREL RACKS 1/31/97  
TANK MIXER 1/31/97  
3 TON TOP FERMENT 8/08/97  
FIRE PROTECTION 9/12/97  
55 GAL DRUMS 11/11/97  
BOTTLING 3/20/97  
90 GALLON WATER 1/31/98  
2 5000 GALLON TA 3/31/98  
3 4700 GALLON TA 3/31/98  
ROTARY FERMENTER 3/31/98  
83 OAK BARRELS 3/31/98



SCHEDULE 1.2(g)  
TRADENAMES AND TRADEMARKS

Tradenames/Trademarks:

1. MARTIN BROTHERS WINERY
2. IL PALIO (SANGIOVESE)
3. GEMELLI
4. CABERNET ETRUSCO

Intellectual property filed or registered with Governmental Authorities:

Il Palio, Gemelli, and Cabernet Etrusco are all registered with the U.S. Patent and Trademark Office.

Logos:

See attached

I L P A L I O



MARTIN BROTHERS

1996

CENTRAL COAST

SANGIOVESE

ALC. 14.2% BY VOL.



1996

CENTRAL COAST

SANGIOVESE

Sangiovese, "The Blood of Jove", has been the beverage of choice in Tuscany for 2000 years. As they prepared for new battles, Caesar's troops, thirsty and labored after the gallic truce, vigorously enjoyed Sangiovese's cherry freshness and quaffability. More recently Sangiovese has formed the foundation of Divulsi's Chianti Classico, Brunello, Montepulciano and other great red wines from Tuscany.

Here, nicknamed "IL PALIO" "The Race" for that famous Siennese horse race, this wine is as bristling, zesty and frisky as those resplendent bedecked horses.

PRODUCED AND BOTTLED BY  
MARTIN BROTHERS WINERY, PASO ROBLES, CA  
BY #5652 ALCOHOL 14.2% BY VOLUME 750ML

GOVERNMENT WARNING: (1) ACCORDING TO THE SURGEON GENERAL, WOMEN SHOULD NOT DRINK ALCOHOLIC BEVERAGES DURING PREGNANCY BECAUSE OF THE RISK OF BIRTH DEFECTS. (2) CONSUMPTION OF ALCOHOLIC BEVERAGES IMPAIRS YOUR ABILITY TO DRIVE A CAR OR OPERATE MACHINERY AND MAY CAUSE HEALTH PROBLEMS.

CONTAINS SULFITES



Schedule 1.2(h)  
**LICENSES**

STATE	TYPE	NUMBER
Arizona	Out of State Producer	02CA1107
Colorado	Importer Vinous	80-72669
Connecticut	Licenses Held by	Black Prince Distillery
Florida	various registrations	master #918
Georgia	Foreign Importer	31413
Illinois	Non Resident Dealer	95-3-00416
Kansas	Supplier Permit	19-001-9700-23
Massachusetts	Cert. of Compliance	0777
Maryland	Non Resident Dealer	ND34818
North Carolina	Non Resident Vendor	WV1103
Ohio	Out of State Supplier	S5001945
Oregon	(not stated)	R20806A
South Carolina	Bear/Wine Producer	BP#1168-7/AI#113590
Tennessee	Non Resident	N-319
Texas	Non Resident Seller	S171718
Virginia	Wine Importer	58641
Washington	W7 Out of State Wine	601 357 203
Wisconsin	Out of State Shipper	FF-1186

**SCHEDULE 2.2**  
**PURCHASE PRICE ALLOCATION**

**SCHEDULE 3.1(a)**  
**BILL OF SALE**

BILL OF SALE

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, MARTIN & MacFARLANE, INC., a California corporation, doing business as "MARTIN OUTDOOR ADVERTISING" ("Seller"), does hereby constitute, grant, deliver, transfer, assign and convey to MARTIN BROTHERS WINERY, LLC, a California limited liability company ("Buyer"), all of the assets transferred from Seller to Buyer, as described in the parties' Agreement for Purchase and Sale of Assets, dated June 25<sup>th</sup>, 1998 (the "Agreement").

The undersigned hereby warrants that he is the lawful owner of the above-described assets, free from the rightful claims of others, and the undersigned will defend Buyer's title to all such goods against all persons, pursuant to the terms and conditions of the Agreement.

Seller hereby constitutes and appoints Buyer his true and lawful attorney-in-fact, with full power of substitution of Buyer in the name and stead of Seller (a) to demand, collect, and receive for the account of Seller or Buyer any or all of the assets hereby sold, conveyed, transferred, assigned, and delivered to Buyer or intended so to be; (b) from time to time to institute or prosecute, in the name of Seller or otherwise, all proceedings that Buyer, in its sole discretion, may deem necessary or convenient in order to realize upon, affirm, or obtain title to or possession of, or to collect, assert, or enforce any claim, right or title of any kind in or to the above-described assets; (c) to defend and compromise any and all actions, suits or proceedings in respect of any of the above-described assets; and (d) to do all such other acts and things in relation to the above-described assets as Buyer, in its sole discretion, deems necessary to confirm its title in and to the above-described assets. Seller agrees that the foregoing powers are coupled with an interest and shall not be revocable by Seller for any reason whatsoever.

Seller shall duly execute and deliver or cause to be executed and delivered all instruments of sale, conveyance, transfer and assignment, and all notices, releases, acquittances and other documents that may be necessary to confirm the grant, conveyance, transfer, assignment, and delivery to Buyer the above-described assets.

Nothing in this Bill of Sale supersedes or extinguishes any of the obligations, agreements, covenants, representations or warranties of Buyer or Seller contained in the Agreement. If any conflict arises between this Bill of Sale and the Agreement, then the terms of the Agreement shall govern and control.

Executed on \_\_\_\_\_, 1998, at \_\_\_\_\_

MARTIN & MacFARLANE, INC. a California corporation

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE 3.1(b)**  
**ASSIGNMENT**

# ASSIGNMENT OF PERMITS, ADVERTISING CONTRACTS, LEASES AND CONTRACTS

THIS ASSIGNMENT OF PERMITS, ADVERTISING CONTRACTS, LEASES AND CONTRACTS ("Assignment") is made and entered into this \_\_\_\_\_ day of July, 1998, by and among MARTIN & MacFARLANE, INC., a California corporation, doing business as "MARTIN OUTDOOR ADVERTISING" ("Assignor"), and MARTIN BROTHERS WINERY, LLC, a California limited liability company ("Assignee").

## RECITALS

A. Pursuant to that certain Agreement for Purchase and Sale of Assets dated as of June 25, 1998, by and between Assignor and Assignee (the "Purchase Agreement"), Assignor agreed to sell to Assignee and Assignee agreed to purchase from Assignor, for the consideration and upon the terms and conditions set forth in the Purchase Agreement, specified Assets (the "Assets"), including, but not limited to, Assignor's rights in and to the all Permits, Advertising Contracts, leases, and contracts related to all or any portion of the Assets, all as set forth in the Purchase Agreement (collectively, the "Contracts").

B. Pursuant to the terms and conditions of the Purchase Agreement, the parties have agreed to execute and deliver this Assignment, to memorialize Assignee's rights, interests, duties and obligations in and to the Contracts.

C. All capitalized terms used in this Assignment and not otherwise defined herein shall be as defined in the Purchase Agreement.

## AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. Assignor hereby transfers and assigns to Assignee all of Assignor's right, title and interest in and to the Contracts.
2. Assignee, by its acceptance hereof, does hereby assume and agree to perform any and all obligations and duties of Assignor as a party under the Contracts first arising after the date hereof.
3. Assignor hereby covenants to execute and deliver to Assignee, upon Assignee's reasonable request therefor, such further instruments of assignment and transfer as may be necessary or desirable to (a) transfer to Assignee all of such Assignor's right, title and interest in and to the Contracts, or (b) evidence such assignment or transfer to Assignee.
4. This Assignment shall inure to the benefit of, and be binding upon, the respective legal representatives, successors and permitted assigns of the parties hereto.
5. Nothing in this Assignment supersedes or extinguishes any of the obligations, agreements, covenants or warranties of the Assignor or Assignee contained in the Purchase Agreement. If any conflict exists between this Assignment and the Purchase Agreement, then the terms of the Purchase Agreement shall govern and control.



IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

"ASSIGNOR"

MARTIN & MacFARLANE, INC. a  
California corporation

By: \_\_\_\_\_  
E. Thomas Martin, President

"ASSIGNEE"

MARTIN BROTHERS WINERY, LLC a  
California Limited Liability Company

By: \_\_\_\_\_  
David B. Weyrich, President

SCHEDULE 3.1(d)  
**FINANCING STATEMENTS**

1. That certain UCC-1 financing Statement filed August 15, 1997 with the California Secretary of State. Secured party: Canadian Imperial Bank of Commerce, as Administrative Agent. Debtor: Martin & MacFarlane, Inc.
2. That certain UCC-1 financing Statement filed August 15, 1997 in Kern County, California. Secured party: Canadian Imperial Bank of Commerce, as Administrative Agent. Debtor: Martin & MacFarlane, Inc.
3. That certain UCC-1 financing Statement filed August 18, 1997 in Kings County, California. Secured party: Canadian Imperial Bank of Commerce, as Administrative Agent. Debtor: Martin & MacFarlane, Inc.
4. That certain UCC-1 financing Statement filed August 15, 1997 in San Luis Obispo County, California. Secured party: Canadian Imperial Bank of Commerce, as Administrative Agent. Debtor: Martin & MacFarlane, Inc.

**SCHEDULE 5.2(b)**  
**CONFLICTS**

None.

**SCHEDULE 5.2(c)**  
**NOTICE AND CONSENT**

Notice and consent is required pursuant to the several Credit Agreements between the Companies and Canadian Imperial Bank of Commerce, as administrative agent for the various lenders, and Union Bank of California as co-agent.

**SCHEDULE 5.6**  
**LITIGATION**

Salud Ayala v. Martin & McFarlane, Inc., dba Martin Brothers Winery. Case number is MC 58340, San Luis Obispo County Municipal Court. Ayala claims that he is owed \$15,500 plus interest based upon labor that he provided to Martin Brothers. Settlement pending.

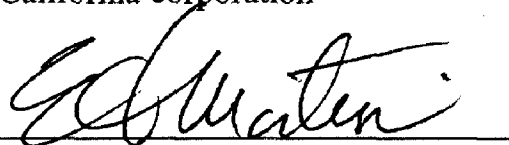
## CLOSING CERTIFICATE

The undersigned hereby certifies to Buyer, pursuant to Sections 9.1 and 9.2 of that certain Agreement for Purchase and Sale of Assets dated as of June 25, 1998 (the "Purchase Agreement") between MARTIN & MacFARLANE, INC., a California corporation ("Seller") and Martin Brothers Winery, LLC, a California Limited Liability Company ("Buyer"), that:

1. Sellers' representations and warranties in the Purchase Agreement are accurate as of the date hereof, as if made on the date hereof.
2. The covenants and obligations that Sellers are required to perform or comply with pursuant to the Purchase Agreement at or prior to the date hereof have been performed and complied with, including, without limitation, the release of all liens, and the obtaining of all required consents.

Dated as of July 28th, 1998.

MARTIN & MacFARLANE, INC. a  
California corporation



E. Thomas Martin, President

## BILL OF SALE

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, MARTIN & MacFARLANE, INC., a California corporation ("Seller"), does hereby constitute, grant, deliver, transfer, assign and convey to MARTIN BROTHERS WINERY, LLC, a California limited liability company ("Buyer"), all of the assets transferred from Seller to Buyer, as described in the parties' Agreement for Purchase and Sale of Assets, dated June 25, 1998 (the "Agreement").

The undersigned hereby warrants that he is the lawful owner of the above-described assets, free from the rightful claims of others, and the undersigned will defend Buyer's title to all such goods against all persons, pursuant to the terms and conditions of the Agreement.

Seller hereby constitutes and appoints Buyer his true and lawful attorney-in-fact, with full power of substitution of Buyer in the name and stead of Seller (a) to demand, collect, and receive for the account of Seller or Buyer any or all of the assets hereby sold, conveyed, transferred, assigned, and delivered to Buyer or intended so to be; (b) from time to time to institute or prosecute, in the name of Seller or otherwise, all proceedings that Buyer, in its sole discretion, may deem necessary or convenient in order to realize upon, affirm, or obtain title to or possession of, or to collect, assert, or enforce any claim, right or title of any kind in or to the above-described assets; (c) to defend and compromise any and all actions, suits or proceedings in respect of any of the above-described assets; and (d) to do all such other acts and things in relation to the above-described assets as Buyer, in its sole discretion, deems necessary to confirm its title in and to the above-described assets. Seller agrees that the foregoing powers are coupled with an interest and shall not be revocable by Seller for any reason whatsoever.

Seller shall duly execute and deliver or cause to be executed and delivered all instruments of sale, conveyance, transfer and assignment, and all notices, releases, acquittances and other documents that may be necessary to confirm the grant, conveyance, transfer, assignment, and delivery to Buyer the above-described assets.

Nothing in this Bill of Sale supersedes or extinguishes any of the obligations, agreements, covenants, representations or warranties of Buyer or Seller contained in the Agreement. If any conflict arises between this Bill of Sale and the Agreement, then the terms of the Agreement shall govern and control.

Executed on July 28, 1998, at Paso Robles.

MARTIN & MacFARLANE, INC. a  
California corporation

By: 

E. Thomas Martin, President

# ASSIGNMENT OF PERMITS, ADVERTISING CONTRACTS, LEASES AND CONTRACTS

THIS ASSIGNMENT OF PERMITS, ADVERTISING CONTRACTS, LEASES AND CONTRACTS ("Assignment") is made and entered into this 28th day of July, 1998, by and among MARTIN & MacFARLANE, INC., a California corporation, doing business as "MARTIN OUTDOOR ADVERTISING" ("Assignor"), and MARTIN BROTHERS WINERY, LLC, a California limited liability company ("Assignee").

## RECITALS

A. Pursuant to that certain Agreement for Purchase and Sale of Assets dated as of June 25, 1998, by and between Assignor and Assignee (the "Purchase Agreement"), Assignor agreed to sell to Assignee and Assignee agreed to purchase from Assignor, for the consideration and upon the terms and conditions set forth in the Purchase Agreement, specified Assets (the "Assets"), including, but not limited to, Assignor's rights in and to the all Permits, Advertising Contracts, leases, and contracts related to all or any portion of the Assets, all as set forth in the Purchase Agreement (collectively, the "Contracts").

B. Pursuant to the terms and conditions of the Purchase Agreement, the parties have agreed to execute and deliver this Assignment, to memorialize Assignee's rights, interests, duties and obligations in and to the Contracts.

C. All capitalized terms used in this Assignment and not otherwise defined herein shall be as defined in the Purchase Agreement.

## AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

1. Assignor hereby transfers and assigns to Assignee all of Assignor's right, title and interest in and to the Contracts.
2. Assignee, by its acceptance hereof, does hereby assume and agree to perform any and all obligations and duties of Assignor as a party under the Contracts first arising after the date hereof.
3. Assignor hereby covenants to execute and deliver to Assignee, upon Assignee's reasonable request therefor, such further instruments of assignment and transfer as may be necessary or desirable to (a) transfer to Assignee all of such Assignor's right, title and interest in and to the Contracts, or (b) evidence such assignment or transfer to Assignee.
4. This Assignment shall inure to the benefit of, and be binding upon, the respective legal representatives, successors and permitted assigns of the parties hereto.
5. Nothing in this Assignment supersedes or extinguishes any of the obligations, agreements, covenants or warranties of the Assignor or Assignee contained in the Purchase Agreement. If any conflict exists between this Assignment and the Purchase Agreement, then the terms of the Purchase Agreement shall govern and control.



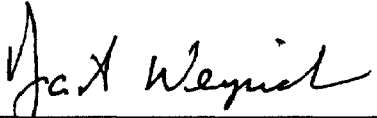
IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first written above.

"ASSIGNOR"

"ASSIGNEE"

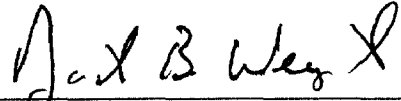
MARTIN & MacFARLANE, INC. a  
California corporation

MARTIN BROTHERS WINERY, LLC a  
California Limited Liability Company

By: 

~~Thomas Martin, President~~

David B. Weyrich, Secretary and  
Treasurer

By: 

David B. Weyrich, President