

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

Corrections to our Advertising: (a) Early advertisements indicated that the Property would be offered in six (6) real property tracts. Tract Nos. 3 and 4 have been combined as one real property tract (that of Tract No. 3, totaling 131.7+/- acres); (b) a Tract No. 7 has been designated on the Auction Inventory, which includes the "Trademarks" as defined in the Bill of Sale and Assignment; (c) the Cru, in all forms (barrels & in bulk tanks), and the intellectual property rights for the Cru will be sold in the personal property auction on April 8, 2011; (d) the sparkling wine and trademarks will not be conveyed with any of the real estate; (e) the Property will be sold to the highest bidder(s) subject to the Farm Credit Act of 1971, as amended, which includes the former borrower's right to match the final highest bid(s) of the real property, under the same terms and conditions as all other bidders/buyers.

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) will be offered for sale with Tract No. 6, provided that conveyance of the tirage will be conditioned upon the successful Buyer holding all licenses required to allow lawful conveyance of the tirage to such Buyer 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.

Farm Credit Act of 1971: The Property is selling subject to the Farm Credit Act of 1971, as amended.