

**DATE AMENDED: August 17, 2011**

## **ZR VINEYARD, LLC GRAPE SUPPLY CONTRACT**

**1. PARTIES:** ZR Vineyard, LLC, hereinafter called 'Seller,' agrees to sell and THURSTON WOLFE WINERY LLC., hereinafter called 'Buyer,' agrees to purchase upon the terms and conditions expressed in this contract and in Schedules A, B and C which are hereby incorporated by reference, the quantity of grapes meeting the standards set forth herein of the specified varieties now growing at the following location in Washington State:

ZR Vineyard: located at mile post 2.5 highway 221 (1 mile E) Paterson, WA

Notwithstanding anything herein to the contrary, the relationship of the parties hereto is that of independent contractors; nothing herein is intended to create any partnership, joint venture, employee, agency or any other relationship between the parties.

### **2. PRICE:**

Zinfandel 11 and Petite Sirah 11 (ZRZN11 and ZRPS11) at \$5000/acre when plantings are mature (typically 5th leaf). Immature crops (3<sup>rd</sup> and 4<sup>th</sup> leaf) will be at \$1500/ton. Petite Sirah (ZRPS40 + ZRPS5), Zinfandel (ZRZN40) and Primativo (ZRPR) will be at \$5000/acre.

Price review: Price review will occur on 5 year increments. The first review will be after the 2012 harvest for (ZRPS40, ZRPS5, ZRZN40 and ZRPR) and after the 2015 harvest for ZRZN11 and ZRPS11. Lemberger ZRLM and Viognier ZRVG22 + ZRVG41 will be \$1000 per ton.

All mechanical harvesting and delivery costs are borne by the Seller.

Time of Payment: The payments will be made to buyer according to the following schedule: 50% by December 1 of harvest year and 50% each by February 1 of following year. Any delay or arrears payment will accrue interest at purchasers operating loan rate.

**3. QUANTITY:** The ZRZN11 and ZRPS11 blocks were planted in 2008 and replace ZRCF11 (see schedule C), however this contract pertains only to the NE 3 acres of the 5.2 acre ZRCF11 block unless later amended. All other blocks and associated acres and target yields are described in the table below:

### Blocks, Acres and Target Yields

<b>Block</b>	<b>Variety</b>	<b>Tons</b>	<b>Acres</b>	<b>Year Planted</b>	<b>Target Yields Tons/acre</b>
ZRPS11	Petite Sirah	Approx 8	1.93	2008	4.0
ZRZN11	Zinfandel	Approx 12	3.13	2008	4.0
ZRPS5	Petite Sirah	Approx 7	1.71	1998	4.0
ZRZN40	Zinfandel	Approx 7	1.71	1998	4.0
ZRPR32	Primativo	Approx 7	1.72	1998	4.0
ZRPS40	Petite Sirah	Approx 7	1.69	1998	4.0
ZRLM	Lemberger	Approx 5	1.0	1999	5.0
ZRVG41	Viognier	Approx 12	2.16	1999	6.0
ZRVG22	Viognier	Approx 8	1.4	1998	6.0

All grapes produced by the acreage so designated in this contract belong to the Buyer. Seller is responsible for executing, to the best of their ability, the viticultural recommendations made by the Buyer. Without written communication to the contrary, Buyer's target yields are the same as the payment yields specified in this paragraph.

**4. STANDARDS:** Buyer will accept for purchase from Seller at the price pursuant to Paragraph 2 only those grapes meeting the standards set forth herein including the minimum Brix (percent sugar content) set forth in Schedule A, lack of defects per Paragraphs 5, and yields per Paragraphs 3.

**5. DEFECTS:** Seller warrants that all grapes delivered under this contract shall at point of delivery be sound, mature grapes, free from commercial defects, in good merchantable condition, suitable for crushing at the state of maturity Buyer specified in this contract and in compliance with all applicable Federal and State laws and regulations, and at the time and point of delivery are not adulterated or misbranded under the meaning of the Federal Food, Drug and Cosmetic Act.

**REJECTION OF DEFECTIVE GRAPES:** Any acceptable container of grapes containing in excess of 3% defects by weight will be subject to rejection or to purchase at a negotiated price at Buyer's option. Defects include, but are not limited to, decomposition or decay induced by fungi or bacteria, damage caused by exposure to subfreezing

temperatures, off grape types, breaks in the skin not caused by mechanical harvesting, sunburn, raisining, and water stress. Such contaminants as hydraulic fluids, fuels and/or odoriferous insects may result in rejection of the load at less than 3% defects by weight.

**MATERIAL OTHER THAN GRAPES (MOG):** Any container of grapes otherwise acceptable containing more than 0.5% MOG by weight may be accepted at a negotiated price or rejected at Buyer's option. **Seller will be liable to Buyer for damage to winery equipment caused by MOG.**

**NOTICE OF DEFECTS AND MOG:** Inspection for defects and MOG shall take place at Buyer's winery upon delivery. Buyer will give verbal notice of rejection due to defects or MOG upon delivery and written confirmation of rejection within 10 days.

**PESTICIDES:** Seller warrants there are not in or on said grapes pesticide residues prohibited by or in excess of tolerances established for human consumption by the Federal Food, Drug and Cosmetic Act or other law. Seller agrees to notify Buyer in advance of any pending Category I or Category II pesticide (Insecticides, Herbicides, Fungicides, Nematicides, etc.) applications or to post entrances to Seller's vineyard with pesticide used and date of application. Seller agrees to authorize written records of all pesticide applications (compounds, rates, dates, acres) to be provided to Buyer by five days prior to fruit delivery. **No fruit will be accepted by Buyer prior to submittal of said records.**

**6. REJECTION:** Seller agrees that Buyer shall have the right to reject any and all grapes delivered or tendered which do not fully comply with the standards set forth in this contract and may charge to Seller the costs, transportation and expenses incurred in connection with the receipt and turn back to Seller of the rejected grapes. The rejection of any partial delivery or deliveries shall not relieve the Seller from the obligation to deliver the balance of grapes contracted for in this contract and to this extent this contract is severable, provided further, that failure of Buyer to reject any grapes hereunder shall not constitute a waiver on Buyer's part and does not waive any part of the Seller's warranties.

**7. PRODUCTION/HARVEST:** Seller shall, at Seller's expense, do the acts customary or necessary to the production of the grapes in the manner customarily considered best suited to production of best quality grapes. Buyer reserves the right to advise as to the time and method of harvest as provided herein, but any such advice shall not subject Buyer to liability for any harm or damage caused thereby nor shall constitute acceptance of the grapes or waiver of any standards or warranties hereunder. Harvesting and delivering of the grapes shall be at Seller's expense.

**TIME OF HARVEST:** Buyer and Seller shall in good faith agree on a time for harvest of the crop during the regular harvest season that is as close as is practicable to optimal maturity of the grape for the specified level of sugar content. Buyer or Buyer's agent will monitor crop maturity and will advise grower as to the optimal time for harvest. Barring mitigating circumstances, including, but not limited to, frost, rain, hail, mold and excessive delay in ripening due to overcropping, such notification for harvest construes Buyer's acceptance of fruit regardless of minimum Brix criteria specified in Schedule B. Neither party shall cause unreasonable delay in harvest. If grape maturity is delayed past

a reasonable harvest date (at the sole determination of the Buyer) for a specified variety and sugar content, those grapes are subject to rejection in the field.

**DELIVERY:** Buyer will determine and notify Seller of the location at which the Buyer will accept delivery. Seller agrees to deliver grapes to Buyer as soon as possible after commencement of harvest, and in no case later than 24 hours from the beginning of handpicking or eight (8) hours from the beginning of machine picking. All risk of loss and damage remains with Seller until delivery and acceptance by Buyer.

**METHOD OF HARVEST:** Machine harvesting is the standard. Acceptable containers will be six to eight ton hoist-dumped tubs, not to exceed eight tons. Tubs must be able to dump into a 36" high hopper. Mild steel containers must be painted with food grade paint where contact with fruit is made. Any deviation from these specifications must receive prior approval of Buyer before delivery. Seller can arrange to "Hand Pick" for an additional price of \$75/ton. Buyer must provide macro bins or similar container for hand picking as needed.

**8. INSPECTION:** Buyer or Buyer's agents will be allowed to inspect vineyards during normal business hours with an attempt made to give reasonable notice of pending inspection.

**9. WARRANTY OF TITLE AND EXCLUSIVE SALE:** Prior to delivery under Paragraphs 7, Seller is obligated to provide Buyer of proof if requested, satisfactory to Buyer, that any agreement, claim, or lien creating or imposing encumbrances on the crops sold hereunder contains a consent or authorization to this sale. Absent such consent or authorization in the agreement, claim, or lien satisfactory to Buyer, Seller is obligated to obtain written authorization of this sale from any party having a claim, lien or encumbrance on the crops sold hereunder prior to delivery. With the exception of agreements, claims, or liens disclosed to Buyer prior to delivery as required above, Seller represents and warrants good title liens, security interests, claims, and encumbrances. Failure to provide written authorization prior to delivery shall be grounds for rejection by the Buyer at the Buyer's discretion. Seller further warrants that the crops sold hereunder are not, and will not be at time of delivery, under contract for sale to any other party.

**10. CONDITIONS BEYOND CONTROL:** In the event either the Seller or the Buyer is prevented or interrupted in its performance under this contract because of forces beyond its immediate reasonable control, including, but not limited to, supervening legal prohibition, labor disputes, fire, war, weather or acts of God, the party so affected shall, while so affected, be relieved to that extent from performing its obligations hereunder. In such event, such party shall take all reasonable measures to remove the disability and resume full performance hereunder at the earliest possible date.

**11. RESOLUTION OF DISPUTES:** In the event a dispute arises concerning this grape contract, it shall not relieve Seller from the obligation to deliver or Buyer from the obligation to receive the grapes contracted, pending the process of arbitration described below.

**ARBITRATION:** In the event Buyer and Seller are unable to settle between themselves any dispute concerning this contract, either party may submit the matter to arbitration by

and under the rules of the American Arbitration Association, and the decision of the arbitrator shall be final and binding. The expenses of arbitration including attorneys' fees of the parties, shall be borne by the parties as apportioned by the arbitrator.

**12. TRANSFERABILITY:** This contract shall be binding upon the parties and their permitted successors and assigns. Seller may not assign or transfer this contract without the written consent of Buyer and upon any assignment or transfer or violation hereof, Buyer may, at its option, immediately terminate this contract. A change in ownership is deemed an assignment or transfer for purposes of this paragraph.

**13. APPLICABLE LAWS:** This contract shall be governed by and interpreted in accordance with the laws of the State of Washington.

**14. TERM OF CONTRACT:** For ZRZN11 and ZRPS11 the contract term shall be for the harvest starting in 2010 and ending the harvest of 2019. For ZRPS40, ZRPS5, ZRPR and ZRZN40, the contract term shall be for 5 years beginning 2008 and ending with the 2012 harvest. The contract term will automatically renew for each of the above blocks for an additional five years unless written notice is given by Buyer or Seller to terminate or modify the agreement prior to one year before term expiration. For ZRLM, ZRVG22 and ZRVG41 the contract term shall be for three years and will continue to renew one additional year (ie three-year evergreen) unless written notice is given by either party to terminate the agreement.

Either party has the right to terminate this contract prior to the expiration of the term hereof by giving written notice to the other party of a material breach of its obligations under this contract which is not cured within 20 days of the date of said notice.

BUYER  
Thurston Wolfe Winery LLC  
588 Cabernet Ct., P.O. Box 29  
Prosser, WA 99350

SELLER  
ZR Vineyard, LLC Mgt. LLC.  
0000 Crosby Rd.  
Prosser, WA 99350

By: \_\_\_\_\_  
Wade Wolfe  
Manager

By: \_\_\_\_\_  
General Grape  
General Manager

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## SCHEDULE A - HARVEST STANDARDS

Minimum standards for ripeness:

<u>VARIETY</u>	<u>BRIX</u>
Zinfandel	23.0
Primativo	23.0
Petite Sirah	23.0
Lemberger	23.0
Viognier	22.5

## SCHEDULE B - PRICE ADJUSTMENTS

**PRICE ADJUSTMENTS:** For grapes received below the minimum Brix due to mitigating circumstances as described in Paragraphs 7 , there shall be a 1.5% price reduction for every 0.1 Brix deviation down to 1.0 Brix below the minimum Brix (15% reduction) as specified in Schedule B. Payment will be made calculating the weighted average price accorded to all loads of said variety that are no more than 1.0 Brix below the minimum. For grapes below the 1.0 Brix deviation, Buyer has the option to reject said grapes entirely or to accept some or all of the substandard grapes at a negotiated price subject to post-crush sampling.

**WEATHER DAMAGE PRICE ADJUSTMENT:** In the event that yield for a mature block falls below three ton per acre due to adverse weather conditions, such as winter freeze, spring frost or hail, Buyer will purchase grapes from that block by the ton for that vintage for \$1500 per ton.

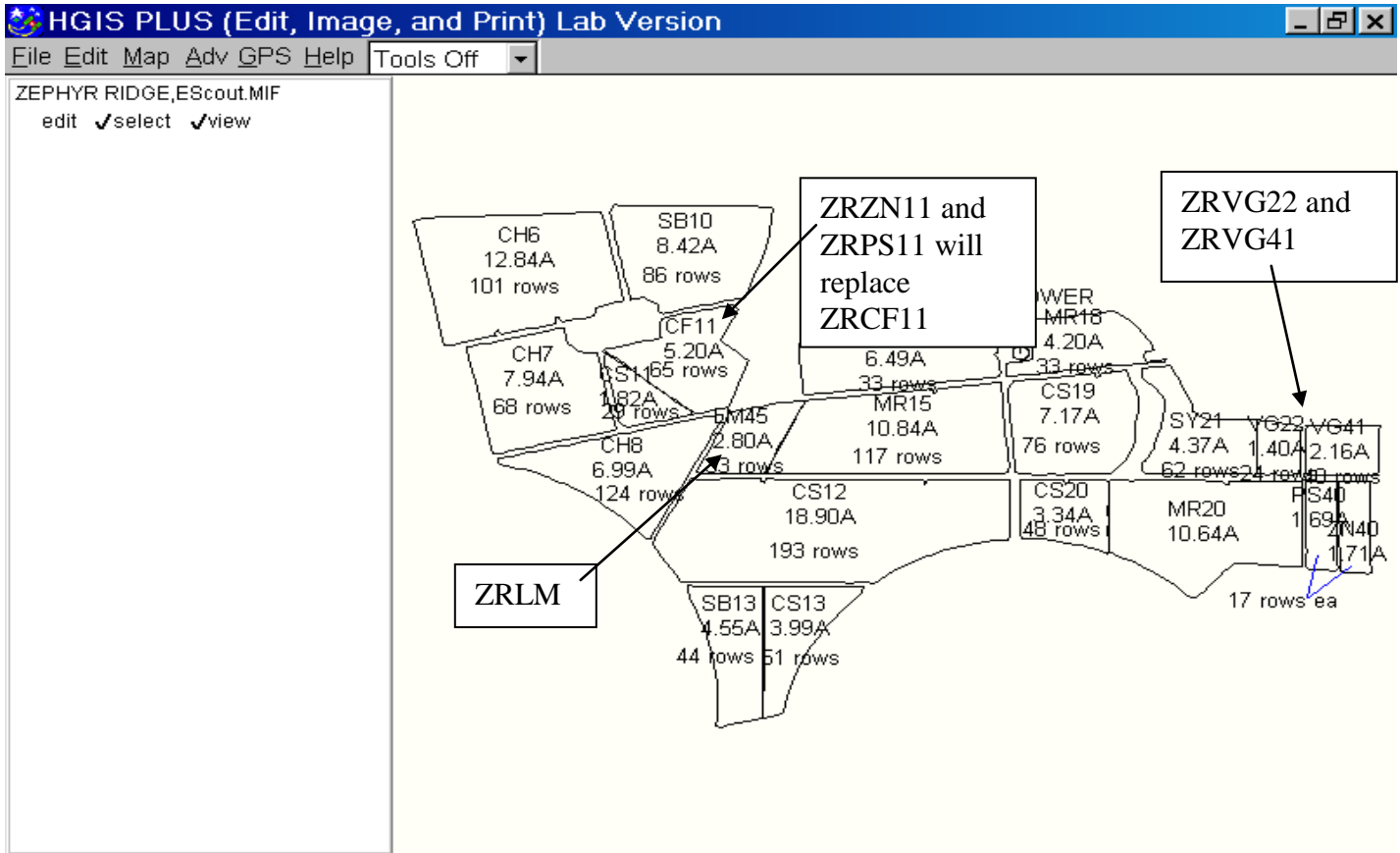
**PRE-CRUSH SAMPLING:** Sampling for acceptance, which terminates Buyer's further right to reject grapes, shall be made at the time of delivery to the specified location.

**POST-CRUSH SAMPLING:** Analysis for payment will be made by subjecting the grapes to a post-crush (tank) sampling. Grapes at or above the minimum Brix standards will at that time be accorded a value payment as specified in Paragraph 2. Grapes accepted by Buyer below the 1.0 Brix deviation will be accorded at a negotiated price.

**NOTIFICATION:** Buyer will verbally notify Seller after delivery and pre-crush sampling of rejection of grapes if grapes are more than one Brix below the minimum standards specified in Schedule B. In the event of a Brix price adjustment following post-crush sampling, Buyer will verbally notify Seller of the price accorded the grapes based upon the deviation from the minimum Brix within 48 hours after crushing. In all cases, Buyer will give Seller written confirmation of rejection or any price adjustment accorded to grapes within 10 days of delivery.

**INSPECTION PROGRAM:** If Buyer institutes at Buyer's expense either Federal or State grape inspection programs for the determination of sugar levels, MOG and defects as outlined in Paragraphs 5, such determinations would become final and binding on both Buyer and Seller and would pre-empt testing as outlined above.

## Schedule C – Map of Vineyard and blocks



## Zephyr Ridge West

