

OFFERING MEMORANDUM

MJA Vineyards

NAPA VALLEY



\$5,900,000

Representation by:

PAUL SPITLER
DRE #00846225
V & E PROPERTIES
P.O. BOX 25
CALISTOGA, CA 94515
Cell: 707.480.7882
Fax: 707.942-8672

E-MAIL: PLNDMN@EARTHLINK.NET

SALIENT FACTS

PROPERTY NAME: MJA Vineyards

STREET ADDRESS: 647 Greenfield Road

CITY: Saint Helena

COUNTY: Napa

STATE: California

PRICE: \$5,900,000

ASSESSOR'S PARCEL NUMBER: 025-380-021 17.78 Acres

APPELLATION: Napa Valley

SUMMARY DESCRIPTION: The subject consists of 17.78 acres, improved with a remodeled winery facility and approximately 9.8 gross acres in vines.

ZONING: AW – Agricultural Watershed

GENERAL PLAN: AWOS – Agriculture, Watershed and Open Space

USE PERMIT: #U-28889, 3,300 Gallons Per Year (1,400 cases), tours by appointment

EXISTING IMPROVEMENTS: 7,494 Sq. Ft. Winery & Public Area
795± Sq. Ft. Viewing Terrace
5,732 Sq. Ft. Wine Cave
9.80 Gross Acres of mixed age vineyard

HAZARDOUS SUBSTANCES	Yes	No	X
FLOOD ZONE	Yes	No	X
UNUSUAL SEIMIC HAZARDS	Yes	No	X
AGRICULTURAL PRESERVE	Yes	No	X
WETLANDS	Yes	No	X

PROPERTY DESCRIPTION

Public Information and Taxes

Information obtained from the Napa County Offices describes the subject property as follows:

APN	ACREAGE SIZE	SITUS ADDRESS
025-380-021	17.78	647 Greenfield Road

The following are the assessed values and taxes for the year 2008-2009:

PARCEL NUMBER	025-380-021
Land	\$1,711,140
Improvements	
Structural	\$1,575,000
Growing	\$ 141,180
Fixed	-0-
Personal Property	-0-
Exemptions	
TOTAL	\$3,427,320
2008-2009 TOTAL TAXES	\$36,314.84

Taxes and assessed values are subject to change upon the sale of a property, under the guidelines of Proposition 13, which will control the revaluation of the property. Increases on a year-to-year basis are restricted to a maximum of 2% per year plus the market value of any new additions.



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Zoning

The subject property is zoned AW, Agricultural Watershed. This zoning district allows one single family unit per legal lot and the minimum acreage size is 160 acres, which precludes the subject from any further subdivision.

The district classification is intended to be applied to those areas of the county where the predominate use is agriculturally oriented, where watershed areas, reservoirs, floodplain tributaries are located, where development would adversely impact on all such uses, and where the protection of agriculture, watersheds, and floodplain tributaries from fire, pollution and erosion is essential to the general health, safety and welfare.

The AW zoning also allows agricultural related buildings and uses such as labor housing, wineries, outdoor parks and recreational facilities compatible with agriculture. Winery use would require a Use Permit from the county and is now controlled by the Winery Ordinance.

The zoning was indicated to be in conformance with the General Plan designation of Agriculture Watershed and Open Space (AWOS).

Additional land use controls affecting the subject are the Erosion Control Ordinance, Measure A and Measure J, which are voter passed initiatives. The recently approved View Shed Ordinance controls the location of new residential structures.

The Erosion Control Ordinance affects hillside development, including vineyards. The ordinance requires an erosion control plan for any development on slopes greater than 5%. Development on slopes greater than 30% requires issuance of a Use Permit and a variance is required for development on slopes greater than 50%.

Measure A controls the amount of housing built in the county each year and some years have resulted in a permit delay. Measure J controls rezoning of agricultural lands by requiring voter approval. All of these ordinances can have a significant effect on the subject property use.

Agricultural Preserve

The subject property is subject to a Williamson Act Agricultural Contract with Napa County. These Land Conservation Contracts typically have automatically renewing ten-year terms and restrict the available property uses from any purpose other than agricultural or compatible use in exchange for lower assessed values. These contracts are commonly found on properties of this type and, based on the existing zoning and parcel size, would not interfere with the highest and best use of these properties.

REGIONAL CHARACTERISTICS

Area Analysis

The subject property is located to the southeast of St. Helena, in an unincorporated area of Napa County, above the eastern edge of the floor of the Napa Valley. In analyzing this region, four major influential factors must be considered, those being geographic, economic, social and political. These four factors influence property values and identify trends in the market.

NEIGHBORHOOD DESCRIPTION

The subject neighborhood is within the Napa Valley Appellation, which is a well-known and respected area for varietal wine grape production. The general area and neighborhood is comprised of a wide range of parcel sizes. The dominant use in the area is for vineyard combined with rural and/or estate housing.

There are also a number of wineries located in the subject's immediate neighborhood with Seavey Vineyards adjacent to and directly to the north of the subject property and Anderson Vineyards to the north of that.

SITE CHARACTERISTICS

Access

From the City of Napa, travel north on Silverado Trail to the intersection with Howell Mountain Road, just past the Pope Street Bridge. Turn to the right onto Howell Mountain Road and continue to the intersection with Conn Valley Road. Continue on Conn Valley Road to Greenfield Road. Turn onto Greenfield Road and proceed approximately 0.6 miles to the subject entrance at 647 Greenfield Road. The entry from Greenfield Road is a shared, deeded, easement to the subject property line.

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Site and Topography

The subject's single parcel is highly irregular in shape and totals 17.78 acres (per the Napa County Assessor's Office). The terrain varies from gently sloping to moderately steep hillsides with a drainage way or creek bisecting the parcel. The elevations range from approximately 415 feet along the creek to approximately 640 feet at the eastern boundary.

The major structural improvements are located on a narrow, gentle bench just below Greenfield Road near the eastern most boundary of the property. The winery site is somewhat elevated and provides views over the majority of the vineyard blocks.

Based on the owner's vineyard block breakdown and site observations, the subject acreage is allocated based on the following categories.

DESCRIPTION	GROSS ACRES	PERCENTAGE
Primary Planted Land	9.8	55%
Winery Site	2.0	11%
Remaining Hill Lands, Water Shed	5.98	34%
TOTAL	17.78	100%

Utilities

The subject property is developed with power, telephone and propane service to the structural improvements. Power is also developed to the well. Sewage in the area is handled by septic tanks and leach fields. No report was submitted as to the condition of the septic system for the winery wastewater.

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Water

Water in this area of the county is typically supplied by a well. The subject property relies on a single well to provide water for the domestic and winery use. The well is located near the bottom of vineyard block E, below the winery and uses a booster pump to store water in a 10,500 gallon concrete storage tank, and two smaller pressure tanks, all located above the winery. There is also a water softening system located near the concrete storage tank but the well report indicates that it is not operational. Based on a well test performed March 29, 2007, the well is drilled to a depth of 335' and produces 30 gallons per minute using a submersible, 5 horsepower pump.

In addition to the well, the subject property relies on a small pond to supply water for the drip irrigation system. The pond is somewhat small and is estimated to be between 2 and 3 acre feet in size, and is recharged by runoff. The State of California Water Rights Board does not indicate that there is currently a license or permit on file for the subject pond.

Soils

According to the Soil Conservation Service Survey for Napa County, the subject contains two main soil types. The northeastern portion of the subject, including the winery/home site, is comprised of Sobrante loam, with 30% to 50% slopes with a Vie-1 rating. The majority of the parcel has Haire clay loam, 15% to 30% slopes with a Vie-1 rating. Both soil types have areas with gentle terrain and steeper slopes. These are both upland soils that have traditionally been used for grazing and grain production. The soils are summarized as follows:

SOILS TABULATION								
MAP CODE	SOIL TYPE	SLOPE	RATING	DRAINAGE	PERMEABILITY	ROOT DEPTH	RUN OFF	EROSION HAZARD
179	Sobrante loam	30-50%	Vie-1	Well Drained	Moderate	25-40"	Rapid	Mod. To High
150	Haire clay loam	15-30%	Vie-1	Mod. Well Drained	Very Slow	60"	Rapid	Moderate

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Generally speaking, #1 through #111 rated soils are considered highly suitable for crop land, orchards and vineyards, while #1V and V1 related soils are generally considered to be adequate for plantings but with some restrictions due to slope, drainage, soil depth or other limiting conditions. Soils with #V11 or #V111 rating are generally considered to have little or no intensive agricultural potential, other than timber production and limited grazing.

The capability rating number reflects the grade of the soil with #1 rated soils being the highest class and most adaptable for agricultural purposes and #V111 rated soils being the lowest rated and least adaptable.

Hazardous Materials

According to the Napa County Environmental Health Department, the subject property was not listed on the contaminated site list or underground storage tank list. No hazardous materials were noted upon inspection of the subject property.

We are not qualified to determine if a hazardous material or soil contamination situation does actually exist, nor are we qualified to estimate the cost of clean-up if there is such a need.

Flood Zone

FEMA maps indicate the subject is located entirely within Flood Zone "C" which is described as an area of minimal flooding. This information is per Community Panel Number 060205-0275A with an effective date of February 1, 1980.

IMPROVEMENT CHARACTERISTICS

The subject property contains extensive site, structural and vineyard improvements, which are described in individual sections below.

Site Improvements

The site improvements include the paved access road, new entry gate, stone retaining walls, the well and the new large retaining wall and parking area. These are included in the tabulation of depreciated improvements.

Structural Improvements

The subject's structural improvements consist of a single, two-story winery building with the lower floor developed to approximately 4,591 sq. ft. of fermentation and barrel cellar. The upper floor totals approximately 2,903 sq. ft. and is now developed to a wine tasting area, winery offices, food prep (kitchen) and two small guest units. In addition, there is also a nearly completed cave that is accessible from the barrel cellar and from the main access road.

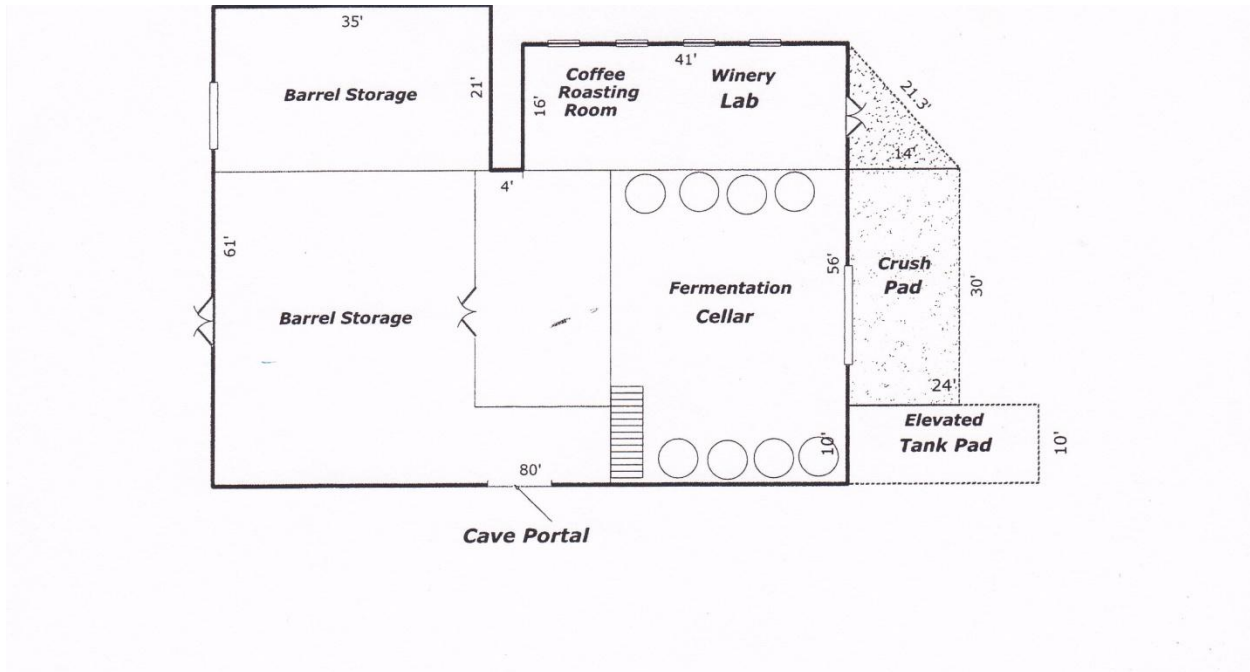
BUILDING TABULATION					
STRUCTURES	SIZE (SF)	FOUNDATION	EXTERIOR	INTERIOR	ROOF
Winery (Lower Level)	4,591	Concrete Slab	Wood Frame, Stone Veneer	Plaster, Unfinished Concrete Floors, Some Stone	N/A
Public Area (Upper Level)	2,903	Concrete Slab	Wood Frame, Stone Veneer	Painted Drywall, Plaster, Tile Floors, Some Stone	Gable/Metal
Cave (per drawing)	5,732	Concrete Slab	N/A	Shotcrete Walls & Ceiling	N/A
Tractor Shed	288	Pole	N/A	Pole Frame, Dirt Floors	Gable/Metal
Bath/Shed/Patio Cover	228	Concrete Slab	Wood Frame, Plywood	Painted Drywall, Concrete Slab	Gable/Shingle

BUILDING SUMMARY

Winery Building (Lower Floor)

The subject's main structure is a two story winery that totals approximately 8,151 square feet with all of the production areas located on the lower level. This level, totaling 4,591 square feet, is developed to a Barrel Cellar and a tank or Fermentation Cellar, winery laboratory, coffee roasting room and some miscellaneous office space. To the east of the Fermentation Cellar is the crush pad and grape receiving area and some additional outdoor tanks. The interior of the Fermentation Cellar has been completely remodeled with the wall and ceiling finishes now being plastered with some stone veneer as a wainscot.

To the west of the Fermentation Cellar are two rooms devoted to barrel storage. These areas are separated from the Fermentation Cellar by a restroom, a small mechanical closet and an office. The two Barrel Cellars are both accessible from the Fermentation Cellar and from the exterior using a pair of main doors and a large roll-up door.



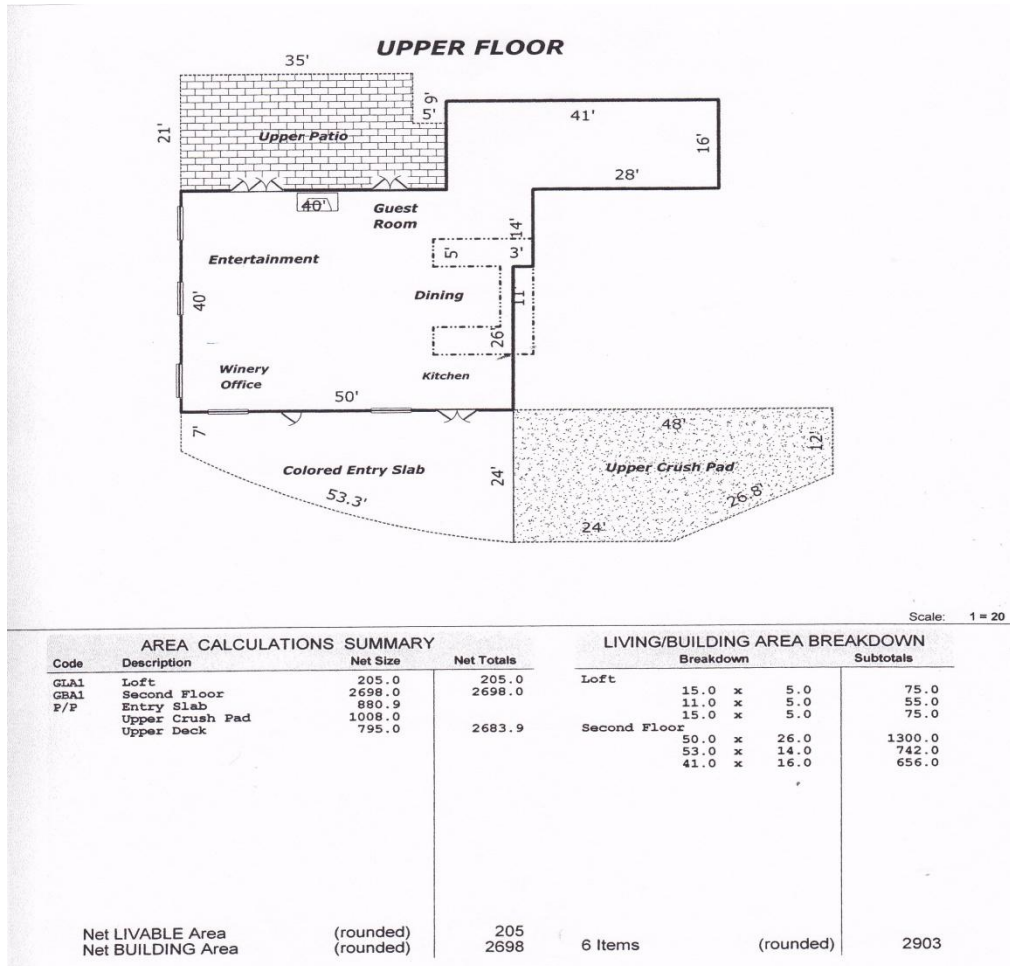
AREA CALCULATIONS SUMMARY				BUILDING AREA BREAKDOWN		
Code	Description	Net Size	Net Totals	Breakdown		Subtotals
GBA1	Lower Cellar	4591.0	4591.0	Lower Cellar		
P/P	Porch	420.0		80.0 x	40.0	3200.0
	Mech Pad	112.0		16.0 x	41.0	656.0
	Tank Pad	240.0	772.0	21.0 x	35.0	735.0

Cave

Located along the southern wall, within the Barrel Cellar, is the interior portal to the new cave. The cave totals approximately 5,723 square feet and will eventually be devoted to fermentation tanks, barrel storage and a barrel wash area. The interior of the cave uses natural colored shotcrete, concrete flooring with trench drains, overhead lighting and utilities. There is also a second portal/entrance, which daylight to the west of the winery above the parking area and entrance road.

Winery Building (Upper Floor)

The subject's upper floor totals 2,903 square feet and was once used as the previous owner's residence. It was developed to two bedrooms, two baths, a den/office, kitchen, living room and a small loft overlooking the dining area.



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After the recent remodel/conversion, this area is now used for public access, winery offices, food prep and a pair of small guest units.

The main living/public area has a new wine tasting bar and good quality tile flooring, stone veneer and wood finishes.

This area (wine tasting area) has very good views to the north and northwest and has access to a large tile covered patio that overlooks some of the subject's vineyard blocks.

The interior finishes have been upgraded throughout with a liberal use of stone veneer, hardwood paneling and plaster. The former kitchen is now ultra modern and could serve as a food prep area for trade dinners and/or for overnight guests.

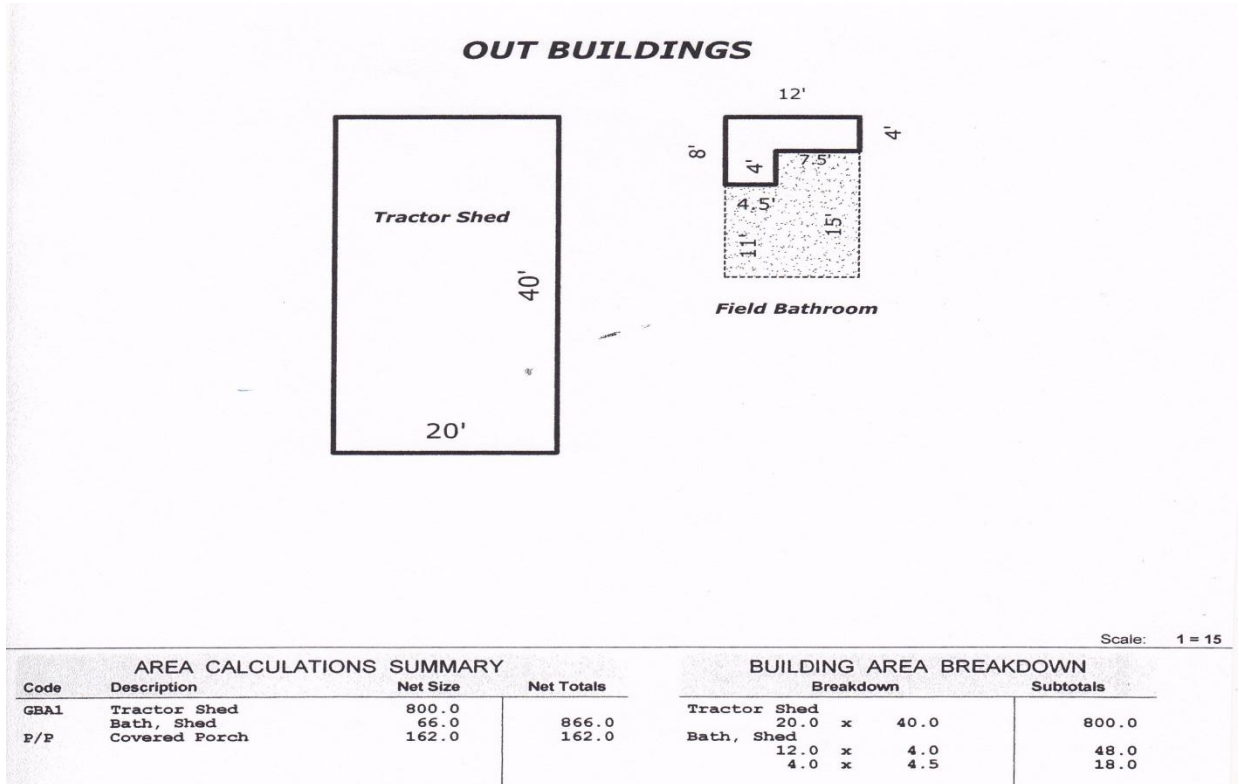
The entire exterior of the structure has been veneered with imported stone which dramatically changed the overall appearance of the building. The small shop, once devoted to an art studio, is now used for barrel storage and is accessible from the larger, barrel cellar at the west end of the lower floor. Overall, this structure has undergone a dramatic transformation with the majority of the existing finishes being substantially upgraded.



WINERY ENTRANCE

Bathhouse/Shed

Located near the subject pond is a small wood frame building on a concrete slab with an attached wood trellis. The small structure is divided into two rooms, a small bath and some miscellaneous storage. Overall this small outbuilding is in below average condition. It is not known if the bathroom is operational or if it is connected to an active, working septic system.



Tractor Cover

Located just to the north of the new retaining wall is a new, pole frame, tractor cover. It is a simple shade cover with dirt/gravel floors and no developed utilities.

Site Work Summary

The subject site, prior to acquisition by the current owner, was somewhat contained and suffered from poor interior access. The new owner has added a large parking lot, which required the removal of an estimated 40% of vineyard block B to construct a massive new retaining wall.

The addition of this new parking lot has facilitated better access to both the upper and lower levels and the movement of barrels and other equipment around the site.

The main entrance to the site has been repaved from the county road and the actual property line is now gated with a new, high quality, metal gate.

VINEYARD IMPROVEMENTS

The original vineyard was purchased from Spencer and Amizetta Clark in 1986. The entire original vineyard area was planted to Chardonnay on AXR1 rootstock, a rootstock which is not resistant to phylloxera. The 1986 Chardonnay crop was harvested by house winemakers and in the spring of 1987 the entire vineyard was grafted over to mostly Cabernet Sauvignon and a few rows of Merlot and Cabernet Franc.

By the early nineties, it was apparent that phylloxera was beginning to show up in various parts of the vineyard, especially in the upper part of Block A. In 1995 a replanting program was begun which was to continue over the next few years. So as not to plant all the same resistant rootstock, several were chosen. Refer to the Block by Block notes below.

In 1997, another three plus acres were purchased. This would be Block G, H and I on the aerial map. About 2,500 dormant 110R rootings were planted in the winter of 1998. These were subsequently grafted to three different clones of Cabernet Sauvignon: Diamond Creek's Red Rock Terrace, Spottswoode and Clone 337. All collected budwood was subjected to ELISA testing for leaf roll virus prior to budding.

Two years ago an erosion prone portion of the Terraces in Block E were reconfigured into a non-terraced hillside and 110R rootstock was planted on an 8' x 5' layout. This one acre block of rootings has not been grafted to any scion wood as the new owner might want something "special."

We like to say that "complexity is not an accident." An assortment of a well thought out mix of clonal selections makes a more interesting wine than a wine made from single clone, single varietal, single vineyard situation.

Unless otherwise noted, all the following plantings are Cabernet Sauvignon.

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BLOCK A

Rows 0 through the western 1/3 of row 12 are Diamond Creek budwood on 110R rootings. The eastern 2/3 of row 12 through row 19 are Spottswoode budwood on 110R rootings. The above were planted in May 1995 and were custom grafted by Sonoma Grapevines. Rows 19 through 25 are planted with clone 15 on 1103P rootings, planted in March 1998.

No itemized tabulation was submitted for the subject vineyard blocks. Using data from a previous report and the owner's descriptions, it appears that the subject is currently improved with 8.9 net acres of vineyard with approximately 1.6 acres currently undergoing redevelopment. The current owner has a long range replanting program that has begun with the removal of block B adjacent to the parking lot and the installation of rootstock in block E. The next blocks to be replanted will be H, which is comprised of numerous varieties, and A, which is a terraced installation.

Vineyard Production

No long-term production history was provided for this appraisal. Based on the data from the previous report, production for the mostly hillside blocks would likely vary from 2.5 to just over 3 tons per acre.

LEGALLY PERMISSIBLE

The subject site is zoned Agricultural Watershed, which restricts potential uses of the property toward agriculture with a possible combined residential use. The intent of the zoning classification is to preserve lands best suited for permanent agricultural use, which is consistent with the subject's neighborhood and land type. This zoning designation carries a 160-acre minimum parcel size. This precludes the subject from any further subdivision.

The subject property also has a 3,300-gallon per year winery Use Permit. The existing permit includes tours and tastings by appointment only. This permit is a substantial benefit to the property allowing a specialized. The subject owner is in the process of increasing the existing Use Permit to 10,000 cases annually or approximately 24,000 gallons.

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TASTING ROOM ENTERTAINMENT AREA





TASTING ROOM BAR



VIEW FROM PATIO ENTERTAINMENT AREA



STAINLESS STEEL TANKS



CAVE INTERIOR

WINERY & EQUIPMENT INVENTORY

- 3 – 1700 GALLON STAINLESS STEEL OPEN TOP TANKS
- 5 - 533 GALLON STAINLESS STEEL CLOSED TOP TANKS
- 2 - 2443 GALLON STAINLESS STEEL CLOSED TOP TANKS
- 1 - 1146 GALLON STAINLESS STEEL CLOSED TOP TANKS
- 1 – CENTURY GLYCOL SYSTEM WITH AIR HANDLERS

V&E

Properties

P.O. Box 25
Calistoga, CA 94515
707.480.7882
www.VandEProperties.com

The information contained herein has either been given to us by the owner of the property or obtained from sources that we have deemed reliable. We have no reason to doubt its accuracy; however, we do not guarantee it. The prospective buyer should carefully verify the enclosed items of income and expense and all other information contained herein.

Paul W. Spitler
DRE #00846225
Real Estate Sales
plndmn@earthlink.net