

SUBORDINATION AGREEMENT

The undersigned, Vineyard Brands, Inc. the holder and owner of a Mortgage made by Pauline Y. Brilliant (hereinafter designated as the "Borrower"), evidenced by the attached loan agreement & promissory note.

The said Borrower has applied for a loan in the sum of \$96000.00 to be secured by a first mortgage (the "First Mortgage") conveying said property to American Home Funding, Inc. (hereinafter designated as the "Lender"), The Lender has declined to make such loan unless the mortgage to Vineyard Brands, Inc. shall be subordinated to said new loan and the mortgage securing same.

THEREFORE, in consideration of ONE DOLLAR (\$1.00) in hand paid by the said Borrower to the undersigned, and in consideration of the consummation of said loan in reliance upon this instrument, Vineyard Brands, Inc. hereby subordinates all right, title, or interest under the mortgage above set forth, or otherwise, in or to the property therein described, as against said loan to be so made by the Lender, so that the First Mortgage to be executed by the said Borrower to the Lender shall convey title to said property superior to the mortgage of Vineyard Brands, Inc. and superior to the indebtedness thereby secured. This Subordination Agreement shall be binding upon the heirs and assigns of Vineyard Brands, Inc., and shall operate to the benefit of the grantee in the First Mortgage, the successors and assigns of said grantee, and of any purchaser at any foreclosure sale thereunder, and shall apply with like force and effect to any renewal thereof.

The mortgage now held by Vineyard Brands, Inc. shall remain otherwise in full force and effect, the waiver and subordination herein provided being limited in application to the proposed loan herein set forth, or any renewal thereof.

Inst # 1997-15686

05/20/1997-15686
10:40 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
007 HCB 23.50

Inst # 1997-15686

WITNESS the hand and seal of the undersigned, this the 28th day of April, 1997.

Vineyard Brands, Inc.
BY: [Signature]
Its: TREASURER

STATE OF VT)
WINDSOR COUNTY)

I, the undersigned Notary Public, in and for said State and County, hereby certify that Robert S. Cassavoy whose name as TREASURER of Vineyard Brands, Inc., a corporation, is signed to the foregoing Subordination, and who is known to me, acknowledged before me on this day that, being informed of the contents of the subordination, he/she, as such officer and with full authority, executed the same voluntarily for and as the act of said Vineyard Brands, Inc.

Given under my hand and official seal this the 28th day of April, 1997.

[Signature]
NOTARY PUBLIC

My Commission Expires February 10, 1999
My Commission Expires: _____

PROMISSORY NOTE SECURED BY MORTGAGE

\$12,000.00

Date: 04/21/97

Location: Chester, VT 05101

FOR VALUE RECEIVED, and subject to the terms of this Promissory Note (the "Note"), P. Brilliant ("Debtor") promises to pay to Vineyard Brands, Inc., a California corporation, or its assigns (the "Noteholder"), at the Noteholder's principal address, the principal sum of Twelve-Thousand -- Dollars (\$ 12,000.00) in lawful money of the United States, and shall equal the aggregate amount of all advances made by Noteholder to Debtor from time to time for the purpose of satisfying Debtor's monthly mortgage payment obligations. This Note is subject to the terms and conditions of that certain Loan Agreement, dated April 21, 1997, between Debtor and Noteholder (the "Agreement"). The aggregate principal amount herein constitutes the Loan under the Agreement.

If Debtor ceases to be an employee of Noteholder for any reason, the outstanding principal amount hereof (including any advances made by noteholder subsequent to such event), together with interest accrued thereon from the date of such event until paid in full at the rate of 0 percent (0%) per annum (or the maximum rate permitted by applicable law, whichever is less), shall become due and payable ninety (90) days following such cessation of employment.

In the event of any Event of Default (as defined in the Agreement) on this Note, Debtor agrees to pay the Noteholder all expenses incurred by Noteholder including, without limitation, reasonable attorneys' fees and court costs (including any costs of appeal), in enforcing and collecting this Note.

The Debtor and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment, demand for payment, notice of dishonor, notice of protest, and protest, and all other notices or demands, in connection with the delivery, acceptance, performance, default, endorsement or guaranty of this Note. No delay or failure by the holder of this Note in exercising any power or right hereunder shall operate as a waiver of any power or right, nor shall any single or partial-exercise of any power or right preclude other or further exercise thereof, or the exercise of any other power or right hereunder or otherwise. The rights and remedies of the holder of this Note shall be cumulative and shall not preclude the assertion by the holder hereof of any other rights or the seeking by the holder hereof of any other remedies against the Debtor.

Pursuant to the Agreement this Note is secured by a mortgage with power of sale of even date herewith executed by Debtor (and Debtor's spouse if applicable) in favor of Noteholder and granting a security interest in that certain real property located at 1212 Willow Creek Place and subordinate only to a first mortgage or deed of trust held by _____. Debtor shall promptly record the mortgage, Agreement and this Note in all locations necessary to perfect Noteholder's security interest in the aforementioned real property.

This Note shall be governed by and construed in accordance with the laws of the State of Alabama, as such laws are applied by Alabama courts to contracts made and to be performed entirely in Alabama by residents of that state. If any term or provision of this Note shall be held invalid, illegal or unenforceable, the validity of all other terms and provisions hereof shall in no way be affected thereby.

The provisions of this Note shall be binding upon, and inure to the benefit of, any successor of Debtor and extend to any holder hereof.

DEBTOR

Pauline Y. Brilliant

Address:

8 Tower Rd.

Bellows Falls, VT 05101

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement") is entered into as of this 21st day of April, 1997 by and between VINEYARD BRANDS, INC., a California corporation (the "Company"), and Pauline Brillan ("Employee"). For purposes of the agreement, the term "Company" shall refer to the Company, or a parent, subsidiary or successor of the Company.

WHEREAS, Employee has requested that the Company loan Employee funds for the purpose of assisting Employee's purchase of a new principal residence due to Company's transfer of Employee to a new principal place of work (within the meaning of Section 217(c) of the Internal Revenue Code of 1986, as amended (the "Code"))

WHEREAS, the Company and Employee desire that the loan be exempt from Section 7872 of the Code; and

WHEREAS, the Company has agreed to provide Employee with the loan as additional consideration for Employee's services to the Company, which Company and Employee agree is a business or commercial purpose for making the loan.

NOW THEREFORE, the parties hereto agree as follows:

1. **LOAN.** The Company shall loan Employee Twelve Thousand Dollars (\$ 12,000.00) (the "Loan") in order to allow Employee to purchase Employee's new principal residence located at 1212 Willow Creek Place, Alabaster, AL (the "Residence"). The proceeds from the Loan may only be used by Employee for the purposes set forth herein.
2. **INTEREST.** The Loan shall be non-interest bearing for as long as you are an employee of the Company and thereafter shall bear interest at a fixed rate of Seven percent (7%) per annum (or the maximum rate permitted by law, whichever is less).
3. **PROMISSORY NOTE.** The Loan shall be evidenced by the promissory note in the form attached hereto as *Exhibit A* (the "Note"). Employee shall execute the Note concurrently with the execution of this Agreement.
4. **METHOD OF FUNDING.** The Loan shall be disbursed to the escrow agent handling the purchase transaction for the Residence, or if there is no escrow agent then to the person determined by the Company at the time of disbursement.
5. **COLLATERAL.** Employee hereby agrees to secure the Loan by a second mortgage on the Residence, which shall be subordinate only to a first mortgage not to exceed \$ 12,000.00 ("First Mortgage"). In furtherance of this grant, Employee shall execute a standard mortgage in favor of the Company covering the Loan and promptly file the same in all appropriate jurisdictions.

6. **REPAYMENT OF LOAN.** The entire principal amount of the Loan and all accrued interest thereon shall become due and payable on the fifth anniversary of the date this Agreement was entered into, subject to Sections 8 and 9 below.

7. **EVENTS OF DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

a. **Default on Loan.** Failure of Employee to make any payment on the Loan when due;

b. **Employment.** If Employee ceases to be an employee of the Company for any reason, an event of default shall occur ninety (90) days following such cessation of employment.

c. **Other Defaults.** Failure of Employee to comply with or to perform when due any other term, obligation, covenant or condition contained in this Agreement or the Note, or failure of Employee to comply with or to perform any other term, obligation, covenant or condition contained in any other agreement between the Company and Employee and failure to cure the same within ten (10) days; and

d. **Default on First Mortgage.** Employee defaults in the payment of principal or interest when due or any other default occurs under the First Mortgage which default, with the passage of time or otherwise, would allow the lender thereunder to accelerate the payment of principal or interest or foreclose on the Residence.

e. **Insolvency.** The insolvency of Employee, including but not limited to a bankruptcy or insolvency proceeding having been instituted by or against him, or the appointment of a receiver for his property, or an assignment of his assets for the benefit of creditors.

f. **Sale of Residence.** Sale of the Residence by Employee, his estate, or by a person who acquires the property through gift, bequest, inheritance, through a domestic relations order or property settlement incident to divorce.

8. **EFFECTS OF AN EVENT OF DEFAULT.** If any Event of Default shall occur, all commitments and obligations of the Company under this Agreement, the Note and any other agreement between Employee and the Company, immediately will, at the Company's sole option, terminate and, at the Company's sole option, the Loan will immediately become due and payable, all without notice of any kind to Employee, except that in the case of an Event of Default of the type described in Section 7(e) above, such acceleration shall be automatic and not optional.

9. **PREPAYMENT.** Employee may prepay the unpaid principal amount of the Loan in whole or in part, without penalty, at any time, upon the payment of all unpaid interest accrued to the date of such prepayment.

10. **NON-TRANSFERABLE.** The right of Employee to request and receive the Loan hereunder, as well as the benefits of the interest arrangement under this Agreement, shall not be assignable or otherwise transferable by Employee.

11. **GENERAL PROVISIONS.**

a. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a parent, subsidiary or successor of the Company, to terminate Employee's employment for any reason or no reason, with or without cause, or to entitle Employee to any employment, position or title with the Company.

b. This Agreement shall be governed by the laws of the State of Alabama applicable to contracts made and performed in such state, without regard to principles of conflicts of laws.

c. This Agreement and the Note and Mortgage referred to herein contain the entire agreement between Employee and the Company, and comprise the complete, final, and exclusive embodiment of their agreement with regard to this subject matter. Employee and the Company each acknowledge and represent that this Agreement is executed without reliance on any promise or representation other than those expressly contained herein and that this Agreement cannot be modified except in a writing signed by both parties.

d. Except as otherwise specified herein, any notice, demand or request required or permitted to be given by either the Company or Employee pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally, three (3) days after being deposited in the U.S. Mail, registered mail, return receipt requested, postage prepaid, or one (1) business day after delivery to an overnight carrier service and addressed to the Company at its then current principal office and to Employee at the address listed for him or her on the Company's payroll records.

e. Either party's failure to enforce any provision or provisions of this Agreement shall not in any way be construed as a waiver of any such provision or provisions, and shall not prevent that party thereafter from enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

f. Employee agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purpose or intent of this Agreement.

g. In the event of any litigation concerning this Agreement, the Prevailing Party shall be entitled to a reasonable sum for attorneys' fees, costs, and litigation expenses, whether or not such action is prosecuted to judgment. "Prevailing Party" includes, without limitation, a party who agrees to dismiss an action upon payment by the other party of sums allegedly due or performance of the covenants allegedly breached, or who obtains substantially the relief sought by that party. In the event that the Company is the Prevailing Party, the

Company shall also be entitled to reasonable attorney's fees, costs and litigation expenses associated with the collection of the Loan.

h. The Company may assign its rights, duties and obligations under this Agreement to any parent, subsidiary or successor of the Company.

i. The parties agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first set forth above.

VINEYARD BRANDS, INC.

By: Robert Henry

Title: Treasurer

Address: RR 5 Box 160
Chester, VT 05143

Pauline Y. Brilliant
Employee's Signature

Pauline Y. Brilliant
Print Name of Employee

Address: 8 Tower Rd.
Bellows Falls, VT 05101

Consent of Spouse:

I acknowledge that I have read the foregoing Agreement and that I know its contents. I am aware that my ownership rights and/or those of my spouse in the Residence, including my homestead interest therein, are subject to the provisions of this Agreement and that I will take no action at any time to hinder operation of, or violate, the Agreement.

Lorena P. Brilliant
Signature

Inst # 1997-15686

21279486
032697

4.

03/20/1997-15686
10:40 AM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
007 HCB 23.50