

agency or the Bureau of Alcohol Tobacco and Fire Arms (B.A.T.F.) that we have sold wine to an *underage* individual.

5. Because it is the policy of Oakstone to neither sell nor furnish wine to minors, we require proof of age when selling wine, and *when shipping* wine directly to customers an adult signature is required for the receipt of the shipment,

b. *Oakstone* adheres to all state and *federal laws* in order to retain its Federal Basic Permit as issued by the Bureau of Alcohol Tobacco and Fire Arms, as such we do not ship wine where we believe direct shipment is prohibited by law.

7. I am aware of the North Carolina Alcohol Beverage Control Law Socs. 18B-102, 18F3-102.1, 1813-109 and 18B-114, and other sections of North Carolina's Alcohol Beverage Control Laws that I believe prohibit out-of-state suppliers from delivering wines and other alcoholic beverages directly to *individuals* at their residence within the State of North Carolina.

8. *As a direct result of N.C.G.S. Secs. 1813-102, 1813-102.1, 18B.109 and 18B-1114,* we do not sell wine to North Carolina residents that require shipment to them. We do not sell to *North Carolina* residents who contact us *by telephone or by* the Internet, and we do not sell to North Carolina residents who visit our winery and who, because they do not desire or are unable to transport cases of wine, would like for us to ship the wine back to their homes.

9. These North Carolina Statutes directly interfere *with and prohibit our ability* to sell our product in California, not just North Carolina,

10. We want to sell our wines and ship them to North Carolina residents

11. We produce 8,000 cases of wine per year and rely on internet advertising and sales in order to *direct ship to our customers*_

12. We have been requested to ship wine to Donald 14. Beskind at an address in the

State of North Carolina. We are unable to ship to him because we believe North Carolina prohibits direct shipment.

13. We are further prevented from delivering our wine to Donald H. Beskind and *other* potential North Carolina customers because we do not have a wholesaler within the State of North Carolina. We believe that the only license or permit we can get to do business in North Carolina requires that we sell to a wholesaler. We cannot get a permit to direct ship.

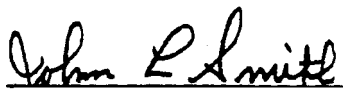
14. As a small winery, it is economically unfeasible for us to obtain a wholesaler within the State or North Carolina. To sell wine through a wholesaler, we must discount the wine, so that the second tier (wholesalers) of the three-tier system make a profit. A small production winery cannot afford the overhead and inefficiency in order to sell a small amount of *wine* through a wholesaler. Therefore, we do not intend to obtain a wholesaler in the State of North Carolina. However, it is both our desire and our intent to make direct shipments to the Donald H. Beskind and other North Carolina customers when the North Carolina direct shipment law is found unconstitutional or is legislatively repealed.

15. We would be willing to pay the state permit and license fees, remit excise taxes, and comply with other regulations that *are imposed on small wineries within North Carolina*.

16. Our inability to ship to North Carolina has damaged us financially since we lose potential customers who cannot order our wine.

I, John L. Smith, declare under penalties for perjury that the foregoing representations are true and accurate to the best of my knowledge and belief.

Jan 15, 2001
Date



John L. Smith, President
Dakstone Winery, Inc.