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8 Attorneys for Stephen A. Finn and
9 Winery Rehabilitation, LLC, Defendants

10 UNITED STATES BANKRUPTCY COURT
11 NORTHERN DISTRICT OF CALIFORNIA
12 SANTA ROSA DIVISION

13 In re

14 SULLIVAN VINEYARDS
CORPORATION,

15 Debtor.

16 SULLIVAN VINEYARDS
17 PARTNERSHIP,

18 Debtor.
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Case No. 17-10065-RLE

CHAPTER 11

STIPULATION TO ALLOW USE OF
CASH COLLATERAL

1 TO THE HONORABLE ROGER L. EFREMSKY, UNITED STATES
2 BANKRUPTCY JUDGE, DEBTOR, AND ALL INTERESTED PARTIES:

3 RECITALS

4 This Stipulation is entered in by Timothy Hoffman, chapter 11 trustee of Sullivan Vineyards
5 Corporation (SVC), and Sullivan Vineyards Partnership (SVP) (Trustee); Stephen A. Finn and
6 Winery Rehabilitation, LLC (Secured Creditors).
7

8 1. The current cash collateral order terminates on September 18, 2017.

9 2. On August 21, 2017, the Court ordered the appointment of a Chapter 11 trustee.

10 3. Timothy Hoffman was appointed and is performing the duties of a trustee under
11 section 1106(a) of the Bankruptcy Code.

12 4. The Trustee has sought the retention of Richard Pierotti, CPA.

13 5. The Trustee has begun to investigate the acts, conduct, assets, liabilities, and
14 financial condition of the debtors, the operation of the debtors business and the desirability of the
15 continuance of such business all of which affect the ongoing realistic cash flow and its projection
16 through year end.

17 6. The Trustee's investigation is not yet complete; the Trustee continues to investigate
18 with the help of Richard Pierotti, CPA, and Duane Morris, the debtor's ability to pay current and
19 past debts as they mature; whether the debtor can service its secured debt, the exact amount of
20 secured debt, the historical accuracy of the debtor's projections; and the actual operations of the
21 debtor since the current management team took over in October 2015.

22 7. The Trustee is also investigating and determining what services are essential, his
23 primary focus is ensuring that the current harvest, which is underway, is properly and economically
24 handled in a fashion to maximize value to the estate.

25 8. The Trustee has taken steps to ensure that the winery and the mansion on the
26 property are fully insured and such insurance policies maintain adequate limits on property,
27 casualty, general liability, workers compensation, employment liability.
28

1 9. The Trustee has in hand all such policies and has reviewed them and is satisfied that
2 the winery and tasting room and mansion or the property are protected.

3 10. A current priority is the successful harvest; in that regard, the Trustee has taken the
4 following steps:

- 5 a. He is monitoring the harvest.
- 6 b. He has ensured that the vineyard manager, Paul Garvey, has been paid
7 currently and that all payments to Mr. Garvey are current; and that Mr.
8 Garvey's company is willing and able to provide all the workers needed for
9 the harvest.
- 10 c. The timing of the harvest is time critical dependent upon the weather and the
11 chemistry of the grapes. The Secured Creditor is supportive of the
12 Trustee's intention to do whatever he can to make sure the harvest is
13 successful.
- 14 d. The Trustee is monitoring the crush and winemaking done by Jeff Cole and
15 his crew.
- 16 e. The Trustee is also considering a work completion and retention bonus for
17 Mr. Cole given the critical notion of the crush which Mr. Cole will be
18 supervising. Whether a senior consulting winemaker will be brought in on
19 an hourly basis has not yet been determined. Again, the Secured Creditor is
20 supportive of an incentive to Mr. Cole and if a fully qualified senior
21 winemaker can be found, the Secured Creditor supports such retention on an
22 hourly basis.
- 23 f. Richard Pierotti is closely monitoring the sources and uses of cash; and is
24 advising the Trustee, who has control of all such funds.
- 25 g. The Secured Creditors have agreed to allow their cash collateral to be used
26 consistent with the budget (attached as Exhibit A) and compliance with the
27 terms of this Stipulation.

- 1 h. The Trustee is seeking to determine what economies can be effected, but as
2 of this time his investigation is not complete.
- 3 i. The Trustee is investigating the Debtor's projections and business plan, but
4 again it is not complete. The Secured Creditor supports such investigation.
- 5 j. On account of the uncertainties described above, at this time both the
6 Trustee and the Secured Creditor think it best to limit the terms of the use of
7 cash collateral to one month. Accordingly, this stipulation provides for the
8 use of Secured Creditor's use of cash collateral through October 16, 2017.
- 9 k. This will be a "cumulative" budget. For avoidance of doubt, this means that
10 for any line item in the budget where the Trustee or the Debtor spends less
11 than budgeted, such additional funds may be used for another line item, as
12 necessary. The Trustee will, at all times, keep the Secured Creditor advised
13 of any such circumstances.
- 14 l. The Trustee is investigating whether to substantively consolidate the two
15 cases; the Secured Creditors support such effort.
- 16 m. The Trustee is determining whether additional cash can be obtained by
17 renting out the approximately 5,000 square foot mansion on the property.
18 As of this time, such investigation and determination is not complete.

19 11. The Trustee will provide to the Secured Creditor detailed reports of the business of
20 the debtors on at least a monthly basis, or as requested on a more frequent basis as such data is
21 available on QuickBooks, including weekly sales and cash flow reports.

22 12. This stipulation may be terminated by the Secured Creditor for cause, or with or
23 without cause on 30 days' notice.

24 13. The Secured Creditor has agreed to pay reasonable court approved fees to the
25 Trustee, his lawyer and accountant reserving the right to add any such advances to his secured debt.

26 14. The Trustee has allowed the defendants, Ms. De Vere and Mr. Finn in the action,
27 Adversary Proceeding No. 17-01023, a 30-day continuance while he investigates such action.
28

1 15. The Trustee has asked that the plaintiffs Ms. De Vere, et al., in the Napa County
2 Superior Court defer any further activity against the debtors (but not the individual defendant)
3 while he investigates the claim).

4 16. At this time the Trustee has retained Duane Morris, LLP as his counsel and Richard
5 Pierotti as his accountant; he does not intend to hire any further lawyers.

6 17. The Trustee may seek to raise additional cash to fund the harvest expenses, and in
7 that regard is investigating hiring a wine broker to monetize some of the wine inventory.

8 18. The Secured Creditors have agreed to ask the Court to continue their motion to
9 convert the case.

10 DATED: September 14, 2017

PILLSBURY WINTHROP SHAW PITTMAN LLP

12 By /s/ Philip S. Warden
13 Philip S. Warden
14 ATTORNEYS FOR STEPHEN A. FINN and
 WINERY REHABILITATION, LLC

15 DATED: September 14, 2017

DUANE MORRIS, LLP

17 By /s/ Aron M. Oliner
18 Aron M. Oliner
19 ATTORNEYS FOR TIMOTHY HOFFMAN,
20 TRUSTEE FOR SULLIVAN VINEYARDS
 CORPORATION AND SULLIVAN VINEYARDS
21 PARTNERS

1 BASED UPON THE PARTIES' STIPULATION, IT IS SO ORDERED.

2 DATED: September ___, 2017

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ROGER L. EFREMSKY
U.S. Bankruptcy Judge

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Exhibit A

Budget Thru October 16, 2017

	Sep 2017	Thru Oct 16 2017
Club Sales	160,000	-
Other Sales	200,000	100,000
Rent on Mansion	-	-
Total Receipts	360,000	100,000
Selling	33,000	15,000
Winery Admin	15,000	5,000
Interest	70,000	35,000
Rent (Vineyard Management)	30,000	15,000
Salaries	57,000	28,500
Taxes	-	-
Employer Payroll Taxes	5,000	2,500
Other Taxes	2,000	1,000
Production Expenses	18,000	7,500
Barrels	33,000	16,500
Grape / Bulk Wine Purchase	-	10,000
Shipping Expense	5,000	10,000
Storage Expense	2,000	1,000
Insurance Expense	15,000	7,500
Custody Funds	5,000	2,500
Compliance	3,000	1,500
Outside Sales	-	5,250
Contract Services	10,000	4,250
Chapter 11 Trustee Bond	2,000	-
US Trustee	325	4,875
Total Outlay	305,325	172,875
Net Monthly Cash Flow	54,675	(72,875)
Cummulative Cash Flow (Aug \$180,000)	234,675	161,800