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**UNITED STATES BANKRUPTCY COURT**  
**CENTRAL DISTRICT OF CALIFORNIA**

In re ) Bk. No. 9:10-bk-10689-RR  
DAZ Vineyards, LLC, )  
Debtor. ) In a Case Under Chapter 11  
of the Bankruptcy Code  
(11 U.S.C. §1101 et. seq.)

**DISCLOSURE STATEMENT DESCRIBING  
SECOND AMENDED CHAPTER 11 PLAN**

Hearing to be Set

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I

INTRODUCTION

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4 DAZ Vineyards, LLC is the Debtor in a Chapter 11 bankruptcy  
5 case. On February 15, 2010, DAZ Vineyards, LLC commenced a  
6 bankruptcy case by filing a voluntary Chapter 11 petition under  
7 the United States Bankruptcy Code ("Code"), 11 U.S.C. §101 et.  
8 seq. Chapter 11 allows the Debtor, and under some circumstances,  
9 creditors and other parties in interest, to propose a plan of  
10 reorganization ("Plan"). The Plan may provide for the Debtor to  
11 reorganize by continuing to operate, to liquidate by selling  
12 assets of the estate, or a combination of both. DAZ Vineyards,  
13 LLC is the party proposing the Plan sent to you in the same  
14 envelope as this document. THE DOCUMENT YOU ARE READING IS THE  
15 DISCLOSURE STATEMENT FOR THE ENCLOSED PLAN.

16  
17 **A. Purpose of This Document.**

18 This Disclosure Statement summarizes what is in the Plan, and  
19 tells you certain information relating to the Plan and the process  
20 the Court follows in determining whether or not to confirm the  
21 Plan.

22 **READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW:**

- 23 (1) Who can vote or object,
- 24 (2) What the treatment of your claim is (i.e., what your  
25 claim will receive if the plan is confirmed), and how  
26 this treatment compares to what your claim would receive  
27 in liquidation,
- 28 (3) The history of the debtor and significant events during  
the bankruptcy,

- 1 (4) What things the court will look at to decide whether or  
2 not to confirm the plan,  
3 (5) What is the effect of confirmation, and  
4 (6) Whether this plan is feasible.

5 This Disclosure Statement cannot tell you everything about  
6 your rights. You should consider consulting your own lawyer to  
7 obtain more specific advice on how this Plan will affect you and  
8 what is the best course of action for you.

9 Be sure to read the Plan as well as the Disclosure Statement.  
10 If there are any inconsistencies between the Plan and the  
11 Disclosure Statement, the Plan provisions will govern.

12 The Code requires a Disclosure Statement to contain "adequate  
13 information" concerning the Plan. The Bankruptcy Court ("Court")  
14 has approved this document to enable parties affected by the Plan  
15 to make an informed judgment about the Plan. Any party can now  
16 solicit votes for or against the Plan.

17  
18 **B. Deadlines for Voting and Objecting; Date of Plan**  
19 **Confirmation Hearing.**

20 THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS  
21 DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE  
22 NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS  
23 THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTOR AND ON ALL  
24 CREDITORS AND INTEREST HOLDERS IN THIS CASE.

25 **1. Time and Place of the Confirmation Hearing.**

26 The hearing where the Court will determine whether or  
27 not to confirm the Plan will take place at the time set forth in  
28 the Order Approving the First Amended Disclosure Statement in the

1 United States Bankruptcy Court, 1415 State Street, Courtroom 201,  
2 Santa Barbara, California, 93101.

3 **2. Deadline for Voting For or Against the Plan.**

4 If you are entitled to vote, it is in your best interest  
5 to timely vote on the enclosed ballot and return the ballot in the  
6 enclosed envelope to Beall & Burkhardt, 1114 State Street, Suite  
7 200, Santa Barbara, California, 93101.

8 Your ballot must be received by the date set forth in  
9 the Order Approving the First Amended Disclosure Statement or it  
10 will not be counted.

11 **3. Deadline for Objecting to the Confirmation of the**  
12 **Plan.**

13 Objections to the confirmation of the Plan must be filed  
14 with the Court and served upon Beall & Burkhardt, counsel for the  
15 Debtor, by the date set forth in the Order Approving the  
16 Disclosure Statement.

17 **4. Identity of Person to Contact for More Information**  
18 **Regarding the Plan.**

19 Any interested party desiring further information about  
20 the Plan should contact William C. Beall, (805) 966-6774.

21 **C. Disclaimer.**

22 The financial data relied upon in formulating the Plan is  
23 based on the debtor's books and records. The information  
24 contained in this Disclosure Statement is provided by DAZ  
25 Vineyards, LLC. The Plan Proponent represents that everything  
26 stated in the Disclosure Statement is true to the Proponent's best  
27 knowledge. The Court has not yet determined whether or not the

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1 Plan is confirmable and makes no recommendation as to whether or  
2 not you should support or oppose the Plan.

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4 II

5 BACKGROUND

6  
7 **A. Description and History of the Debtor's Business.**

8 The Debtor is a Limited Liability Company.

9 The Debtor is in the business of both producing grapes, and  
10 the manufacture and sales of fine wines.

11 The Debtor has been in this business since July of 2005.

12  
13 **B. Principals/Affiliates of Debtor's Business.**

14 The members of the debtor are Centrium and Associates, LLC,  
15 and DAZ Holdings, LLC. See also below.

16  
17 **C. Management of the Debtor Before and After the**  
18 **Bankruptcy.**

19 The LLC is managed by C. Alexis Zahoudanis and John  
20 Zahoudanis.

21  
22 **D. Events Leading to Chapter 11 Filing.**

23 Here is a brief summary of the circumstances that led to the  
24 filing of this Chapter 11 case:

25 The case was filed to prevent Investors Warranty of America,  
26 Inc. from completing a foreclosure on the debtor's real property  
27 asset.

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**E. Significant Events During the Bankruptcy.**

**1. Bankruptcy Proceedings.**

The following is a chronological list of significant events which have occurred **during** this case:

The debtor has worked through the Chapter 11 process with various goals in mind. First, the debtor has negotiated treatments with most of its secured creditors. Second, the debtor has made adjustments to its business operations to enhance profitability. The debtor had hoped to bring outside investors into the business, but does not currently have such investors in negotiations. Instead, the debtor believes that it has attained sufficient profitability to sustain the necessary payments to fund the First Amended Plan through operations alone.

**2. Other Legal Proceedings.**

In addition to the proceedings discussed above, the Debtor is currently involved in the following non-bankruptcy legal proceedings:

All non-bankruptcy litigation remains stayed, except an action brought by Pacific Funding, a disputed unsecured creditor. The debtor also is a cross claimant in that action.

**3. Actual and Projected Recovery of Preferential or Fraudulent Transfers.**

The debtor does not plan to file any avoiding actions.



1                   **4. Current and Historical Financial Conditions.**

2                   The identity and fair market value of the estate's  
3 assets are listed in the liquidation analysis below. See also the  
4 Debtor's financial history set forth in Exhibit B, as well as  
5 projections for future financials set forth in Exhibit C.

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III

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**SUMMARY OF THE PLAN OF REORGANIZATION**

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10                   **A. What Creditors and Interest Holders Will Receive Under**  
11 **the Proposed Plan.**

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**B. Unclassified Claims.**

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**1. Administrative Expenses.**

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Administrative expenses are claims for costs or expenses of administering the Debtors' Chapter 11 case which are allowed under Code §507(a)(1). The Code requires that all administrative

1 claims be paid on the Effective Date of the Plan, unless a  
2 particular claimant agrees to a different treatment.

3 The following chart lists **all** of the Debtors' §507(a)(1)  
4 administrative claims and their treatment under this Plan:

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Name	Amount Owed	Treatment
Beall & Burkhardt	\$50,000.00 estimated	Paid in full on the effective date or according to agreement between the parties
Sorenson & Sorenson	\$10,858.50	Paid in full on the effective date or according to agreement between the parties
Clerk's Office Fees	None anticipated	Paid in full on Effective Date
Office of the U.S. Trustee Fees	None anticipated	Paid in full on Effective Date
<b>TOTAL</b>	\$60,858.50 estimated	

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16 Court Approval of Fees Required:

17 The court must rule on all fees listed in this chart  
18 before the fees will be owed. For all fees except Clerk's Office  
19 fees and U.S. Trustee's fees, the professional in question must  
20 file and serve a properly noticed fee application and the Court  
21 must rule on the application. Only the amount of fees allowed by  
22 the Court will be owed and required to be paid under this Plan.

23 As indicated above, the Debtor will need to pay  
24 approximately \$60,858.50 worth of administrative claims on the  
25 Effective Date of the Plan unless the claimant has agreed to be  
26 paid later or the Court has not yet ruled on the claim. As  
27 indicated elsewhere in this Disclosure Statement, Debtor will have  
28 the necessary cash on hand on the Effective Date of the Plan. The

1 source of this cash will be from in part from operations and in  
 2 part from new investment.

3 **2. Priority Tax Claims.**

4 Priority tax claims are certain unsecured income,  
 5 employment and other taxes described by Code §507(a)(8). The Code  
 6 requires that each holder of such a §507(a)(8) priority tax claim  
 7 receive the present value of such claim in deferred cash payments,  
 8 over a period not exceeding five years from the date of the filing  
 9 of this case.

10 The following chart lists all of the Debtor's §507(a)(8)  
 11 priority tax claims and their treatment under the Plan:

Description	Amount Owed	Treatment
Name: Franchise Tax Board	\$3,583.19	Paid in full with statutory interest from effective date in equal quarterly payments over three years from the effective date.
Name: Internal Revenue Service	\$56,004.11	Paid in full with statutory interest from effective date in equal quarterly payments over three years from the effective date.
Name: Employment Development Dept.	\$11,719.47	Paid in full with statutory interest from effective date in equal quarterly payments over three years from the effective date.
Name: State Board of Equalization	\$38,433.15	Paid in full with statutory interest from effective date in equal quarterly payments over three years from the effective date.
<b>TOTAL</b>	<b>\$109,739.92</b>	

22  
 23 **C. Classified Claims and Interests.**

24 **1. Classes of Secured Claims.**

25 Secured claims are claims secured by liens on property  
 26 of the estate. The following chart lists all classes containing  
 27 Debtor's secured pre-petition claims and their treatment under  
 28 this Plan.

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Classes #	Description	Insiders (Y/N)	Impaired (Y/N)	Treatment
1	Secured Claim of: Investors Warranty of America, Inc. secured by a first trust deed encumbering the debtor's property in Los Olivos, CA	N	Y	Paid in full according to the Loan Modification Agreement entered into between the parties, as amended attached as Exhibit A hereto.
2	Claim of Silicon Valley Bank, secured by liens on virtually all of debtor's personal property, including pre-and postpetition accounts receivable and inventory. This Plan treats the Class 2 claim as fully secured pursuant to Bankruptcy Code Section 506(a).	N	Y	The full amount of the allowed Class 2 claim shall be paid in full with interest at 7% per annum in quarterly payments of \$12,000.00 per quarter, payable every March 1, June 1, September 1, and December 1. Any remaining balance will be paid in full March 1, 2015. The Class 2 claim holder shall retain all of its liens in the Debtor's property, with the same validity, extent and priority, including with respect to any after acquired property of the same type, pending full payment of the Class 2 claim, including any applicable interest, fees and other charges pursuant to the parties' agreement and applicable law
3	Secured Claim of Santa Colina Vineyards secured by a lien on some of the debtor's bulk wine. As of 4/1/12, the remaining balance is \$14,192.00	N	Y	Paid in full with interest at 5% per annum in monthly payments of \$1,900.00, with any balance due and payable one year from the effective date.
4	Secured Claim of Bernice James secured by a lien on the debtor's real property, located in Los Olivos CA	N	Y	Paid in full with statutory interest from effective date in equal quarterly payments over three years from the effective date.
5	Secured Claim of Sierra Madre ranch secured by a lien on some of the debtor's bulk wine	N	Y	The claim is allowed by stipulation. The remaining balance owing was \$40,000.00 as of 2/5/2012. The claim will be paid with agreed interest of \$10,000.00 at \$5,000.00 per month (except that the first payment shall be \$2,500.00) commencing 3/1/12 with the last payment, in the amount of \$2,500.00 paid 12/1/12.
6	Secured Claim of CNH Capital America secured by a lien on some of the debtor's equipment	N	Y	The entire balance with all accrued interest and charges will be paid in full in monthly payments of \$1,696.00 with the first payment due on the effective date.
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**2. Class of Priority Unsecured Claims.**

Certain priority claims that are referred to in Code §507(a)(3), (4), (5), (6), and (7) are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Code requires that each holder of such a claim receive cash on the Effective Date equal to the allowed amount of such claim. However, a class of unsecured priority claim holders may vote to accept deferred cash payments of a value, as of the Effective Date, equal to the allowed amount of such claims.

The following chart lists all classes containing Debtor's §507(a)(3), (4), (5), (6), and (7) priority unsecured claims and their treatment under this Plan.

Description	Impaired (Y/N)	Treatment
<b>Class</b>		
The debtor believes there are no non-tax priority claims		

**3. Class of General Unsecured Claims.**

General unsecured claims are unsecured claims not entitled to priority under Code §507(a). The following chart identifies this Plan's treatment of the class containing **all** of Debtor's general unsecured claims:

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Class #	Description	Impaired (Y/N)	Treatment
7	General unsecured claims  Total amount of claims \$515,544.17 undisputed, plus \$4,278,665.00 disputed	Y	The unsecured class will share payments totaling \$120,000 payable at \$8,000 per quarter commencing 3 months after the effective date and every three months thereafter. Each individual creditor will receive its aliquot portion of the fund in annual payments. To the extent claim objections are pending at any payment date, the disbursing agent will retain sufficient funds to make payments to disputed creditors if their claims are allowed. Creditors will receive between 10% and 23% of their unsecured claims, depending on the success of the debtor's claim objections. To the extent the payments described herein are insufficient to pay 10% to members of the class of general unsecured creditors, the debtor will make additional quarterly payments of \$8,000 until sufficient funds have been made to permit a minimum 10% return to Class 7.

**4. Class(es) of Interest Holders.**

Interest holders are the parties who hold ownership interest (i.e., equity interest) in the Debtor. If the Debtor is a corporation, entities holding preferred or common stock in the Debtor are interest holders. If the Debtor is a partnership, the interest holders include both general and limited partners. If the Debtor is an individual, the Debtor is the interest holder. The following chart identifies this Plan's treatment of the class of interest holders:

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Description	Impaired (Y/N)	Treatment
Class		
8	N	Holders of membership interests in the debtor will retain their interests

**D. Means of Performing the Plan.**

**1. Funding for the Plan.**

The Plan will be funded by the following: The Plan will be funded by the continued business operations of the debtor. The reorganized debtor intends to divide into two entities, one holding the real property asset and the other holding the winery operation. Confirmation of the plan authorizes the debtor to divide the business and sell preferred equity investments, without prejudice to the rights of any secured creditor. The reorganized debtor shall not distribute any funds to any preferred equity interest holder (whether in the form of dividends, share repurchase or otherwise) prior to full payment of the allowed claims of all creditors secured by assets to be transferred to the new entity, (Classes 2, 3 and 5), including applicable interest, fees and other charges pursuant to the parties' agreement and applicable law.

Should the debtor default under the plan and the case be converted, all assets of both entities will be property of the Chapter 7 case created by the conversion.

1           The Effective Date of the Plan will be 30 days after  
2 entry of an Order confirming the Plan.

3           **2. Post-Confirmation Management.**

4           Post confirmation management of the debtor will continue  
5 to be by John and C. Alexis Zahoudanis.

6  
7           **3. Disbursing Agent.**

8           The debtor shall act as the disbursing agent for the  
9 purpose of making all distributions provided for under the Plan.  
10 The Disbursing Agent shall serve without bond and shall receive no  
11 compensation for distribution services rendered and expenses  
12 incurred pursuant to the Plan.

13           **E. Risk Factors.**

14           The proposed Plan has the following risks:

15           The primary risk factors are that the debtor will be unable  
16 to operate the business with the requisite profitability, and that  
17 the debtor will be unable to obtain the required new investors.

18           **F. Other Provisions of the Plan.**

19           **1. Executory Contracts and Unexpired Leases.**

20           **a) Assumptions.**

21           The following are the unexpired leases and  
22 executory contracts to be assumed as obligations of the  
23 reorganized Debtor under this Plan:

24           The debtor knows of no such executory contracts.

25           **b) Rejections.**

26           On the Effective Date, the following executory  
27 contracts and unexpired leases will be rejected:

28           The debtor knows of no such executory contracts.



1           **2. Changes in Rates Subject to Regulatory Commission.**

2           This Debtor is not subject to governmental regulatory  
3 commission approval of its rates.

4           **3. Retention of Jurisdiction.**

5           The Court will retain jurisdiction to the extent  
6 provided by law.

7

8           **G. Tax Consequences of Plan.**

9           *Creditors and interest holders concerned with how the plan*  
10 *may affect their tax liability should consult with their own*  
11 *accountants, attorneys, and/or advisors.* The following disclosure  
12 of possible tax consequences is intended solely for the purpose of  
13 alerting readers about possible tax issues this Plan may present  
14 to the Debtor. The Proponent **cannot** and **does not** represent that  
15 the tax consequences contained below are the only tax consequences  
16 of the Plan because the Tax Code embodies many complicated rules  
17 which make it difficult to state completely and accurately all the  
18 tax implications of any action.

19           The estate does not anticipate tax consequences from the Plan  
20 beyond normal income taxes to be paid for profitable operations.

21

**IV**

22

**CONFIRMATION REQUIREMENTS AND PROCEDURES**

23

24           *Persons or entities concerned with confirmation of this Plan*  
25 *should consult with their own attorneys because the law on*  
26 *confirming a Plan of Reorganization is very complex.* The  
27 following discussion is intended solely for the purpose of  
28 alerting readers about basic confirmation issues, which they may

1 wish to consider, as well as certain deadlines for filing claims.  
2 The Proponent **cannot** and **does not** represent that the discussion  
3 contained below is a complete summary of the law on this topic.

4 Many requirements must be met before the Court can confirm a  
5 Plan. Some of the requirements include that the Plan must be  
6 proposed in good faith, acceptance of the Plan, whether the Plan  
7 pays creditors at least as much as creditors would receive in a  
8 Chapter 7 liquidation, and whether the Plan is feasible. These  
9 requirements are **not** the only requirements for confirmation.

10

11 **A. Who May Vote or Object.**

12 **1. Who May Object to Confirmation of the Plan.**

13 Any party in interest may object to the confirmation of  
14 the Plan, but as explained below not everyone is entitled to vote  
15 to accept or reject the Plan.

16 **2. Who May Vote to Accept/Reject the Plan.**

17 A creditor or interest holder has a right to vote for or  
18 against the Plan if that creditor or interest holder has a claim  
19 which is both (1) allowed or allowed for voting purposes, and (2)  
20 classified in an impaired class.

21 **a) What Is an Allowed Claim/Interest.**

22 As noted above, a creditor or interest holder must  
23 first have an **allowed claim or interest** to have the right to vote.  
24 Generally, any proof of claim or interest will be allowed, unless  
25 a party in interest brings a motion objecting to the claim. When  
26 an objection to a claim or interest is filed, the creditor or  
27 interest holder holding the claim or interest cannot vote unless

28

1 the Court, after notice and hearing, either overrules the  
2 objection or allows the claim or interest for voting purposes.

3 **The bar date for filing a Proof of Claim in this**  
4 **case was November 1, 2010.** A creditor or interest holder may have  
5 an allowed claim or interest even if a proof of claim or interest  
6 was not timely filed. A claim is deemed allowed if (1) it is  
7 scheduled on the Debtor's schedules and such claim is not  
8 scheduled as disputed, contingent, or unliquidated, and (2) no  
9 party in interest has objected to the claim. An interest is  
10 deemed allowed if it is scheduled and no party in interest has  
11 objected to the interest.

12 **b) What Is an Impaired Claim/Interest.**

13 As noted above, an allowed claim or interest only  
14 has the right to vote if it is in a class that is **impaired** under  
15 the Plan. A class is impaired if the Plan alters the legal,  
16 equitable, or contractual rights of the members of that class.  
17 For example, a class comprised of general unsecured claims is  
18 impaired if the Plan fails to pay the members of that class 100%  
19 of what they are owed.

20 In this case, the Proponent believes that all  
21 Classes are impaired and that holders of claims in each of these  
22 classes are therefore entitled to vote to accept or reject the  
23 Plan. The Proponent believes that no Class is unimpaired.  
24 Parties who dispute the Proponent's characterization of their  
25 claim or interest as being impaired or unimpaired may file an  
26 objection to the Plan contending that the Proponent has  
27 incorrectly characterized the class.

28

1                   **3. Who is Not Entitled to Vote.**

2                   The following four types of claims are **not** entitled to  
3                   vote:

4                   (1) Claims that have been disallowed;

5                   (2) Claims in unimpaired classes;

6                   (3) Claims entitled to priority pursuant to Code  
7                   §§507(a)1), (a) (2), and (a) (8); and

8                   (4) Claims in classes that do not receive or  
9                   retain any value under the Plan.

10                  Claims in unimpaired classes are not entitled to vote because such  
11                  classes are deemed to have accepted the Plan. Claims entitled to  
12                  priority pursuant to Code §§507(a) (1), (a) (2), and (a) (7) are not  
13                  entitled to vote because such claims are not placed in classes and  
14                  they are required to receive certain treatment specified by the  
15                  Code. Claims in classes that do not receive or retain any value  
16                  under the Plan do not vote because such classes are deemed to have  
17                  rejected the Plan. ***Even if your claim is of the type described***  
18                  ***above, you may still have a right to object to the confirmation of***  
19                  ***the Plan.***

20                   **4. Who Can Vote in More Than One Class.**

21                   A creditor whose claim has been allowed in part as a  
22                   secured claim and in part as an unsecured claim is entitled to  
23                   accept or reject a Plan in both capacities by casting one ballot  
24                   for the secured part of the claim and another ballot for the  
25                   unsecured claim.

26                   **5. Votes Necessary to Confirm the Plan.**

27                   If impaired classes exist, the Court cannot confirm the  
28                   Plan unless:

1 (1) At least one impaired class has accepted the Plan  
2 without counting the votes of any insiders with that class; and

3 (2) All impaired classes have voted to accept the Plan,  
4 unless the Plan is eligible to be confirmed by "cramdown" on non-  
5 accepting classes, as discussed later in Section {IV.A.8}.

6 **6. Votes Necessary for a Class to Accept the Plan.**

7 A class of claims is considered to have accepted the  
8 Plan when more than one-half (1/2) in number and at least two-  
9 thirds (2/3) in dollar amount of the claims which actually voted,  
10 voted in favor of the Plan. A class of interests is considered to  
11 have accepted the Plan when at least two-thirds (2/3) in amount of  
12 the interest holders of such class which actually voted, voted to  
13 accept the Plan.

14 **7. Treatment of Nonaccepting Classes.**

15 As noted above, even if **all** impaired classes do not  
16 accept the proposed Plan, the Court may nonetheless confirm the  
17 Plan if the nonaccepting classes are treated in the manner  
18 required by the Code. The process by which nonaccepting classes  
19 are forced to be bound by the terms of the Plan is commonly  
20 referred to as "cramdown". The Code allows the Plan to be  
21 "crammed down" on nonaccepting classes of claims or interest if it  
22 meets all consensual requirements except the voting requirements  
23 of §1129(a)(8) and if the Plan does not "discriminate unfairly"  
24 and is "fair and equitable" toward each impaired class that has  
25 not voted to accept the Plan as referred to in 11 U.S.C. §1129)b)  
26 and applicable case law.

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**8. Request for Confirmation Despite Nonacceptance by Impaired Class(es) .**

The party proposing this Plan DAZ Vineyards, LLC asks **the Court** to confirm this Plan by cramdown on any impaired class if any of those classes do not vote to accept the Plan.

**B. Liquidation Analysis.**

Another confirmation requirement is the "Best Interest Test", which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtor's assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm the Plan, the Court must find that all creditors and interest holders who do not accept the

1 Plan will receive at least as much under the Plan as such holders  
2 would receive under a Chapter 7 liquidation. The Plan Proponent  
3 maintains that this requirement is met here for the following  
4 reasons:

5 In a Chapter 7 liquidation, a Trustee would face a daunting  
6 task to sell any property whatsoever. The debtor's real property  
7 is subject to a lien in favor of Investors Warranty of America,  
8 Inc. which the secured creditor contends before modification to be  
9 in excess of \$11 million. The debtor does not believe that the  
10 property could be sold for sufficient funds to pay the secured  
11 debt, let alone to generate funds for unsecured creditors.  
12 Similarly, other assets are all subject to security interests, and  
13 any liquidation would be very difficult. The most difficult asset  
14 to value is the debtor's inventory of wine. As of the writing of  
15 this document, the debtor has approximately 4,100 cases of wine,  
16 as well as 25,000 gallons of red wine in barrels awaiting  
17 bottling. Sold at retail, that wine has significant value. The  
18 debtor's retail prices for wine average \$425 per case, so the  
19 cased wine alone might bring \$1.7 million. However, selling at  
20 those prices requires operation of the debtor's business, with  
21 concomitant business expenses. Recent research into liquidation  
22 prices of wine, such as a Trustee in a Chapter 7 case might  
23 obtain, are very different. The debtor estimates that on  
24 liquidation, the estate would receive perhaps \$36 per case, and  
25 the barreled wine would be sold for somewhat less than that.

26 Below is a demonstration, in balance sheet format, that all  
27 creditors and interest holders will receive at least as much under  
28 the Plan as such creditor or interest holder would receive under a

1 Chapter 7 liquidation. This information is provided by the debtor  
 2 and plan proponent).

3 The debtor believes that a Chapter 7 Trustee might, in  
 4 the end, be able to create a pool of \$136,000.00 (see chart below)  
 5 from which to pay unsecured debts. After payment of the Trustee's  
 6 fees and his professional's fees, as well as approximately  
 7 \$109,000 in priority unsecured debt consisting of tax creditors,  
 8 the debtor does not believe a Chapter 7 Trustee would make a  
 9 distribution to general unsecured creditors.

Asset	Value (at liquidation)	Secured claim	Available for unsecured creditors
Land and buildings	\$8,500,000 based upon appraisal presented by Investors Warranty of America, Inc. with Motion for Relief from Stay	\$9,530,000	\$0
Accounts Receivable	\$45,624 (gross) assume 75% collectible in liquidation or \$34,218	\$199,000	\$0



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Cash	Negligible		\$0
Equipment	\$7,000 estimated liquidation value	\$44,000	\$0
Wine Inventory	\$300,000 (at liquidation, estimated)	\$199,000 (also secured by receivables)	\$135,218

Below is a demonstration, in tabular format, that all creditors and interest holders will receive at least as much under the Plan as such creditor or holder would receive under a Chapter 7 liquidation.

Claims and Classes	Payout Percentage Under the Plan	Payout Percentage in Chapter 7 Liquidation
Administrative Claims	100	100
Priority Tax Claims	100	100
Class 1:	100	Unknown
Class 2:	100	100
Class 3:	100	100
Class 4:	100	100
Class 5:	100	100
Class 6:	100	100
Class 7:	10-23%	0

**C. Feasibility.**

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not

1 likely to be followed by the liquidation, or the need for further  
2 financial reorganization, of the Debtor or any successor to the  
3 Debtor under the Plan, unless such liquidation or reorganization  
4 is proposed in the Plan.

5 There are at least two important aspects of a feasibility  
6 analysis. The first aspect considers whether the Debtor will have  
7 enough cash on hand on the Effective Date of the Plan to pay all  
8 the claims and expenses which are entitled to be paid on such  
9 date. The Plan Proponent maintains that this aspect of  
10 feasibility is satisfied as the debtor will demonstrate at the  
11 confirmation hearing the ability to pay the necessary \$60,858.00  
12 in administrative expenses or will offer evidence of agreements  
13 with the administrative creditors.

14 The second aspect considers whether the Proponent will have  
15 enough cash over the life of the Plan to make the required Plan  
16 payments.

17 The Proponent has provided financial statements which include  
18 both historical and projected financial information. Please refer  
19 to Exhibit B and C for the relevant financial statements. **You are**  
20 **advised to consult with your accountant or financial advisor if**  
21 **you have any questions pertaining to these financial statements.**  
22 In addition to the information provided herein, the debtor will  
23 produce evidence at the confirmation hearing of its ability to  
24 fund the payments required under the Plan.

25 As Debtor's financial projections demonstrate, Debtor will  
26 have an average cash flow, after paying operating expenses and  
27 post-confirmation taxes, to make the payments for the life of the  
28

1 Plan. The Plan Proponent contends that Debtor's financial  
2 projections are feasible.

3 V

4 EFFECT OF CONFIRMATION OF PLAN

5  
6 A. Discharge.

7 This Plan provides that upon substantial consummation, Debtor  
8 shall be discharged of liability for payment of debts incurred  
9 before confirmation of the Plan, to the extent specified in 11  
10 U.S.C. §1141. However, the discharge will not discharge any  
11 liability imposed by the Plan.

12  
13  
14 B. Revesting of Property in the Debtor.

15 Except as provided in Section {V.E.}, and except as provided  
16 elsewhere in the Plan, the confirmation of the Plan revests all of  
17 the property of the estate in the Debtor.

18  
19 C. Modification of Plan.

20 The Proponent of the Plan may modify the Plan at any time  
21 before confirmation. However, the Court may require a new  
22 Disclosure Statement and/or re-voting on the Plan.

23  
24 D. Post-Confirmation Status Report.

25 Within 120 days of the entry of the order confirming the  
26 Plan, Plan Proponent shall file a status report with the Court  
27 explaining what progress has been made toward consummation of the  
28 confirmed Plan. The status report shall be served on the United

1 States Trustee, the twenty largest unsecured creditors, and those  
2 parties who have requested special notice. Further status reports  
3 shall be filed every 120 days and served on the same entities.  
4

5 **E. Post-Confirmation Conversion/Dismissal.**

6 A creditor or party in interest may bring a motion to convert  
7 or dismiss the case under §1112(b), after the Plan is confirmed,  
8 if there is a default in performing the Plan. If the Court  
9 orders, the case converted to Chapter 7 after the Plan is  
10 confirmed, then all property that had been property of the Chapter  
11 11 estate, and that has not been disbursed pursuant to the Plan,  
12 will revert in the Chapter 7 estate. The automatic stay will be  
13 reimposed upon the reverted property, but only to the extent that  
14 relief from stay was not previously authorized by the Court during  
15 this case.

16 The order confirming the Plan may also be revoked under very  
17 limited circumstances. The Court may revoke the order if the  
18 order of confirmation was procured by fraud and if the party in  
19 interest brings an adversary proceeding to revoke confirmation  
20 within 180 days after the entry of the order of confirmation.  
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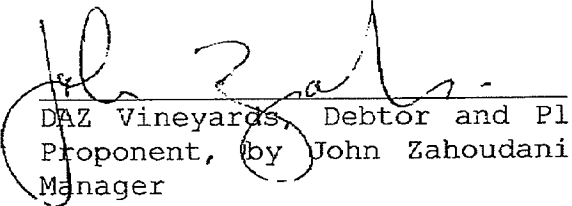
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**F. Final Decree.**

Once the estate has been fully administered as referred to in Bankruptcy Rule 3022, the Plan Proponent, or other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case.

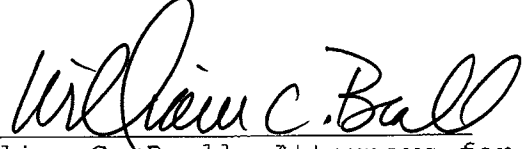
Respectfully submitted,

Dated: 4/30/12

  
DAZ Vineyards, Debtor and Plan Proponent, by John Zahoudanis, Manager

Dated: 4/30/12

BEALL & BURKHARDT

By:   
William C. Beall, Attorneys for DAZ Vineyards, LLC, Debtor, Plan Proponent

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6 Attorneys for Secured Creditor  
Investors Warranty of America, Inc,  
7 an Iowa corporation

8 UNITED STATES BANKRUPTCY COURT  
9 CENTRAL DISTRICT OF CALIFORNIA  
10 SANTA BARBARA DIVISION

12 In re

13 DAZ VINEYARDS, LLC dba  
14 DEMETRIA ESTATE WINERY,

15 Debtor.

Case No. 9:10-bk-10689 (RR)

Chapter 11

**STIPULATION RESOLVING RELIEF  
FROM STAY MOTION AND GRANTING  
ADEQUATE PROTECTION**

Original Hearing Date

Date: December 6, 2011

Time: 9:00 a.m.

Place 1415 State Street, Courtroom 201  
Santa Barbara, California 93101

Continued Hearing Date

Date: January 4, 2012

Time: 9:00 a.m.

Place 1415 State Street, Courtroom 201  
Santa Barbara, California 93101

23 This Stipulation Resolving Relief from Stay Motion and Granting Adequate Protection  
24 ("Stipulation") is entered into by and between Investors Warranty of America, Inc, an Iowa  
25 corporation ("Investors Warranty") and DAZ Vineyards, LLC, the above-captioned Chapter 11  
26 debtor ("DAZ").

27 **RECITALS**

28 A. On February 15, 2010 (the "Petition Date"), DAZ filed a voluntary petition for

1 relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the  
2 United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court").

3 B. Prior to the Petition Date, DAZ executed that certain Promissory Note Secured By  
4 Deed of Trust, dated as of September 20, 2007, in favor of Transamerica Financial Life Insurance  
5 Company, a New York corporation ("Original Lender"), in the original principal amount of Seven  
6 Million Eight Hundred Sixty-Five Thousand and 00/100ths Dollars (\$7,865,000.00) (the "Note").

7 C. To secure its obligations under the Note, DAZ executed that certain Deed of Trust,  
8 Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "**Deed of Trust**"),  
9 dated as of September 20, 2007, in favor of Original Lender, recorded September 21, 2007, in the  
10 Official Records, as Document Number 2007-0067981, encumbering certain improved real  
11 property commonly known as 6701 Foxen Canyon Road, Los Olivos, California, as more  
12 particularly described in the Deed of Trust (the "**Property**").

13 D. Investors Warranty contends that it is the assignee under that certain Assignment  
14 of Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the  
15 "**Assignment**"), dated as of June 29, 2009, made by Original Lender to Investors Warranty,  
16 pursuant to which Assignment the Note, the Deed of Trust, and all other documents executed in  
17 connection with the loan from Original Lender to DAZ (collectively, the "**Secured Loan**  
18 **Documents**") were assigned to Investors Warranty.

19 E. Under the terms of the Loan Documents, DAZ was obligated to make quarterly  
20 debt service payments of principal and interest, as set forth in the Note, until October 2022, when  
21 the Note matured by its terms. DAZ did not make the quarterly debt service payment that came  
22 due on January 10, 2009 in the amount of \$153,957.38. Investors Warranty declared an  
23 acceleration of the loan in or around April 2009, with the accelerated balance of \$9,312,355.85.

24 F. After the Petition Date, DAZ agreed to make quarterly interest only payments for  
25 January 2011, April 2011, July 2011, and October 2011 in the approximate amount of  
26 \$166,775.00 each. The payment schedule is set forth in that certain Loan Modification  
27 Agreement attached as Exhibit A to the Disclosure Statement filed by the DAZ on March 30,  
28 2011 (Docket No. 91). As of the filing of its Proof of Claim in October 2010, Investors

1 Warranty contends that at least \$11,103,353.11 was owing by DAZ under the Secured Loan  
2 Documents. The Loan Modification Agreement, also attached hereto as Attachment 1, provides  
3 for DAZ to seek confirmation of a Chapter 11 Plan that incorporates all of the terms of the Loan  
4 Modification Agreement, which include:

- 5 • The outstanding principal amount due and payable under the Note to be adjusted to a  
6 lower amount of \$9,530,000 (the "Adjusted Note Amount");
- 7 • Interest on the Adjusted Note Amount to accrue at the rate of seven percent (7.0%) per  
8 annum from January 1, 2011 through December 31, 2012. Thereafter, the interest rate  
9 adjustments to be calculated in accordance with the provisions of Section 1 of the Note;
- 10 • Notwithstanding the provisions of Section 1G of the Note providing for payment of  
11 principal and interest, DAZ to be required to remit to Investors Warranty quarterly  
12 payments of interest only on January 1, 2011, April 1, 2011, July 1, 2011 and October 1,  
13 2011 (the "Interest Only Payments"); thereafter, commencing January 1, 2012, DAZ to  
14 remit to Investors Warranty quarterly payments of principal and interest based on a twenty  
15 (20) year amortization schedule (the "Principal and Interest Payments");
- 16 • DAZ to acknowledge that Investors Warranty has incurred to date certain costs and  
17 expenses, including, without limitation, legal fees, title expenses, appraisal fees and  
18 related costs, in the amount of \$120,000. DAZ to agree that such amount to be paid by  
19 DAZ to Investors Warranty in four equal quarterly payments on April 1, 2011, July 1,  
20 2011, October 1, 2011, and January 1, 2012 (the "Fee and Cost Payments");
- 21 • DAZ to deposit with and to pay to Investors Warranty an amount sufficient for payment of  
22 estimated taxes and assessments assessed or levied against the Property (the "Tax  
23 Escrow").

24 G. DAZ did not make one or more of the Interest Only Payments, did not make any of  
25 the Fee and Cost Payments, and did not deposit any funds for the Tax Escrow.

26 H. On December 6, 2011, the Bankruptcy Court considered Investor Warranty's  
27 Motion for Relief from the Automatic Stay (the "Stay Relief Motion") pursuant to which  
28 Investors Warranty sought relief from the automatic stay to exercise all of its rights and remedies



1 under the Secured Loan Documents and applicable law. DAZ opposed the Stay Relief Motion.

2 I. Prior to the hearing on the Stay Relief Motion, Investors Warranty and DAZ  
3 reached terms to resolve the Stay Relief Motion and to provide adequate protection to Investors  
4 Warranty through approval of all terms of the Loan Modification Agreement as modified by this  
5 Stipulation.

6 **STIPULATION**

7 **IT IS THEREFORE STIPULATED AS FOLLOWS:**

8 1. All terms of the Loan Modification Agreement, as amended by the First  
9 Amendment to Loan Modification Agreement dated March 25, 2011, also attached hereto under  
10 Attachment 1, are approved except as further modified by this Stipulation;

11 2. DAZ will pay Investors Warranty \$30,000 by December 31, 2011, representing a  
12 quarterly payment of costs and expenses under section 6.e. of the Loan Modification Agreement,  
13 representing a Fee and Cost payment, with the remaining three quarterly payments of \$30,000  
14 each to be added to the Adjusted Note Amount under the Loan Modification Agreement;

15 3. DAZ will make quarterly payments of \$150,000 each on February 10, 2012, May  
16 10, 2012, August 10, 2012, and November 10, 2012 representing an extension of partial Interest  
17 Only Payments; thereafter, commencing on January 1, 2013, DAZ will remit to Investors  
18 Warranty quarterly Principal and Interest Payments based on a twenty (20) year amortization  
19 schedule, as contemplated in section 6.a.iii of the Loan Modification Agreement;

20 4. Investors Warranty is allowed a secured claim in the amount of the Adjusted Note  
21 Amount under the Loan Modification Agreement which includes the \$9,530,000 set forth in the  
22 Loan Modification Agreement, in addition to (1) a quarterly payment of interest in the amount of  
23 \$166,775 that was to be made to Investors Warranty under section 6.a. of the Loan Modification  
24 Agreement in or around July 2011, representing an Interest Only Payment, (2) the remaining  
25 three quarterly payments of \$30,000 each under section 6.e. of the Loan Modification Agreement,  
26 representing the Fee and Cost Payments, (3) all additional interest, above the \$150,000 partial  
27 Interest Only Payments to be made on February 10, 2012, May 10, 2012, August 10, 2012, and  
28 November 10, 2012, that comes due before confirmation of a Chapter 11 Plan in DAZ'

1 bankruptcy case, and (4) any amount that Investors Warranty may be entitled to under applicable  
2 law;

3 5. DAZ will pay all upcoming post-petition property tax obligations for the Property  
4 on a timely basis directly to the applicable tax collector beginning with the payment that came  
5 due on December 10, 2011, instead of depositing funds into the Tax Escrow, and will  
6 provide Investors Warranty with evidence of payment;

7 6. DAZ will maintain adequate insurance coverage on the Property, and will provide  
8 Investors Warranty with evidence of such insurance coverage;

9 7. A Chapter 11 Plan that incorporates all terms of the Loan Modification  
10 Agreement, as amended by the First Amendment to Loan Modification Agreement and the  
11 Stipulation, must be confirmed by July 31, 2012, with its Effective Date no later than August 15,  
12 2012. Should DAZ fail to confirm a Chapter 11 Plan by July 31, 2012, with its Effective Date no  
13 later than August 15, 2012, that incorporates all terms of the Loan Modification Agreement, as  
14 amended by the First Amendment to Loan Modification Agreement and the Stipulation, the  
15 automatic stay will terminate on August 1, 2012 to allow Investors Warranty to exercise all rights  
16 and remedies under the Secured Loan Documents and applicable law;

17 8. DAZ will not propose or support any Chapter 11 Plan that seeks to modify  
18 Investors Warranty's rights under the Secured Loan Documents, as amended by  
19 the First Amendment to Loan Modification Agreement and the Stipulation;

20 9. Should DAZ breach any payment terms of the Stipulation, Investors Warranty will  
21 be granted relief from the automatic stay by submitting a declaration that DAZ has failed to make  
22 such payment and has failed to cure such payment default within 15 calendar days following  
23 Investors Warranty's providing a written notice of default via overnight mail or courier to DAZ  
24 and its counsel;

25 10. Application of any payment received from DAZ by Investors Warranty shall not  
26 be deemed, in any manner, to constitute a setoff or other "action" as that term is used or defined  
27 in section 726 of the California Code of Civil Procedure, to constitute a violation of the "one  
28 action rule," or be considered an effort by Investors Warranty to collect a deficiency judgment.

1 11. Any payments already made to Investors Warranty since the Petition Date shall be  
2 subject to this Stipulation;

3 12. The Stipulation shall be binding upon and shall inure to the benefit of the  
4 successors and assigns of the DAZ and Investors Warranty;

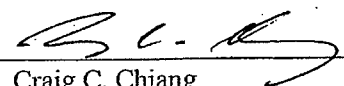
5 13. The Stipulation can be amended, modified or terminated only by a writing  
6 executed by DAZ and Investors Warranty;

7 14. The Stipulation may be executed in one or more counterparts, each of which shall  
8 be deemed an original for the purpose of effectuating the Stipulation, but all of which together  
9 shall constitute one and the same instrument. Any faxed counterpart of this Stipulation shall be  
10 deemed to be an original;

11 15. All terms, conditions, provisions of the Secured Loan Documents, other than as  
12 modified herein, shall remain in full force and effect.

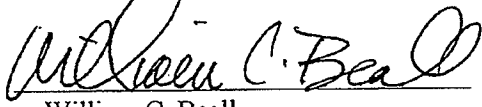
13  
14 Dated: January 3, 2011

BUCHALTER NEMER, P.C.

15  
16 By:   
17 Craig C. Chiang  
18 Attorneys for Investors Warranty of America, Inc.

19  
20 Dated: January 3, 2012

BEALL & BURKHARDT

21 By:   
22 William C. Beall  
23 Attorneys for DAZ Vineyards, LLC  
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