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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 CHAPTER 11 PLAN**

Disclosure Statement Hearing

Date:
Time:
Place: 1415 State Street
Courtroom 201
Santa Barbara, CA 93101

Plan Confirmation Hearing

Date:
Time:
Place: 1415 State Street
Courtroom 201
Santa Barbara, CA 93101

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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 Disclosure Statement in the United States

1 Bankruptcy Court, 1415 State Street, Courtroom 201, Santa Barbara,
2 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 Disclosure Statement or it will not be
10 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
28

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

3
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 three 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, and third, the debtor has negotiated with outside investors for the capital needed to make the business viable going forward.

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.

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

The debtor does not plan to file any avoiding actions.

4. Current and Historical Financial Conditions.

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

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III

SUMMARY OF THE PLAN OF REORGANIZATION

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

As required by the Bankruptcy Code, the Plan classifies claims and interests in various classes according to their right to priority. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive.

B. Unclassified Claims.

Certain types of claims are not placed into voting classes; instead they are unclassified. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Proponent has **not** placed the following claims in a class.

1. Administrative Expenses.

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

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

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Name	Amount Owed	Treatment
Beall & Burkhardt	\$20,000.00 estimated	Paid in full on the effective date or according to agreement between the parties
Sorenson & Sorenson	\$20,000.00 estimated	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
TOTAL	\$40,000.00 estimated	

Court Approval of Fees Required:

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

As indicated above, the Debtor will need to pay approximately \$40,000.00 worth of administrative claims on the Effective Date of the Plan unless the claimant has agreed to be paid later or the Court has not yet ruled on the claim. As indicated elsewhere in this Disclosure Statement, Debtor will have the necessary cash on hand on the Effective Date of the Plan. The source of this cash will be from in part from operations and in part from new investment.

2. Priority Tax Claims.

Priority tax claims are certain unsecured income, employment and other taxes described by Code §507(a)(8). The Code

1 requires that each holder of such a §507(a)(8) priority tax claim
2 receive the present value of such claim in deferred cash payments,
3 over a period not exceeding five years from the date of the filing
4 of this case.

5 The following chart lists all of the Debtor's §507(a)(8)
6 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	\$51,675.26	Paid in full with statutory interest from effective date in equal quarterly payments over three years from the effective date.
Name: Employment Development Dept.	\$13,246.80	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.
TOTAL	\$106,938.40	

17
18 **C. Classified Claims and Interests.**

19 **1. Classes of Secured Claims.**

20 Secured claims are claims secured by liens on property
21 of the estate. The following chart lists all classes containing
22 Debtor's secured pre-petition claims and their treatment under
23 this Plan.

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Class #	Description	Insider (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	Secured Claim of Silicon Valley Bank secured by a lien on the debtor's personal property, including accounts receivable	N	Y	Paid in full with interest at the contract rate in quarterly payments of \$20,000.00 per quarter, payable every March 1, June 1, September 1, and December 1
3	Secured Claim of Santa Colina Vineyards secured by a lien on some of the debtor's bulk wine	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 at \$72,500.00, and will be paid without interest in monthly payments of \$2,500.00 with a single payment of \$40,000.00 on or before 2/1/2012
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.
	TOTAL			

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 d (Y/N)	Treatment
Class		
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:

Class #	Description	Impaired (Y/N)	Treatment
7	General unsecured claims Total amount of claims \$267,660 undisputed, plus \$1,192,684 disputed	Y	The unsecured class will share payments totaling \$120,000 payable at \$10,000 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 8% and 45% of their unsecured claims, depending on the success of the debtor's claim objections

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

1 interest holders include both general and limited partners. If
2 the Debtor is an individual, the Debtor is the interest holder.
3 The following chart identifies this Plan's treatment of the class
4 of interest holders:

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

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

13 **1. Funding for the Plan.**

14 The Plan will be funded by the following:

15 The Plan will be funded by the following: The Plan will
16 be funded by a combination of the continued business operations of
17 the debtor, and new preferred equity investment. The reorganized
18 debtor intends to divide into two entities, one holding the real
19 property asset and the other holding the winery operation. The
20 debtor anticipates the new equity investors will purchase
21 preferred investments at the winery level. Confirmation of the
22 plan authorizes the debtor to divide the business and sell
23 preferred equity investments.

24 **2. Post-Confirmation Management.**

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

1 **3. Disbursing Agent.**

2 The debtor shall act as the disbursing agent for the
3 purpose of making all distributions provided for under the Plan.
4 The Disbursing Agent shall serve without bond and shall receive no
5 compensation for distribution services rendered and expenses
6 incurred pursuant to the Plan.

7
8 **E. Risk Factors.**

9 The proposed Plan has the following risks:

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

13
14 **F. Other Provisions of the Plan.**

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

16 **a) Assumptions.**

17 The following are the unexpired leases and
18 executory contracts to be assumed as obligations of the
19 reorganized Debtor under this Plan:

20 The debtor knows of no such executory contracts.

21
22 **b) Rejections.**

23 On the Effective Date, the following executory
24 contracts and unexpired leases will be rejected:

25 The debtor knows of no such executory contracts.

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

27 This Debtor is not subject to governmental regulatory
28 commission approval of its rates.

1 3. **Retention of Jurisdiction.**

2 The Court will retain jurisdiction to the extent
3 provided by law.

4

5 G. **Tax Consequences of Plan.**

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

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

18

IV

19

CONFIRMATION REQUIREMENTS AND PROCEDURES

20

21 *Persons or entities concerned with confirmation of this Plan*
22 *should consult with their own attorneys because the law on*
23 *confirming a Plan of Reorganization is very complex.* The
24 following discussion is intended solely for the purpose of
25 alerting readers about basic confirmation issues, which they may
26 wish to consider, as well as certain deadlines for filing claims.
27 The Proponent **cannot** and **does not** represent that the discussion
28 contained below is a complete summary of the law on this topic.

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

7
8 **A. Who May Vote or Object.**

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

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

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

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

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

19 As noted above, a creditor or interest holder must
20 first have an **allowed claim or interest** to have the right to vote.
21 Generally, any proof of claim or interest will be allowed, unless
22 a party in interest brings a motion objecting to the claim. When
23 an objection to a claim or interest is filed, the creditor or
24 interest holder holding the claim or interest cannot vote unless
25 the Court, after notice and hearing, either overrules the
26 objection or allows the claim or interest for voting purposes.

27 ***The bar date for filing a Proof of Claim in this***
28 ***case was November 1, 2010.*** A creditor or interest holder may have

1 an allowed claim or interest even if a proof of claim or interest
2 was not timely filed. A claim is deemed allowed if (1) it is
3 scheduled on the Debtor's schedules and such claim is not
4 scheduled as disputed, contingent, or unliquidated, and (2) no
5 party in interest has objected to the claim. An interest is
6 deemed allowed if it is scheduled and no party in interest has
7 objected to the interest.

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

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

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

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

25 The following four types of claims are **not** entitled to
26 vote:

- 27 (1) Claims that have been disallowed;
28 (2) Claims in unimpaired classes;

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

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

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

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

16 A creditor whose claim has been allowed in part as a
17 secured claim and in part as an unsecured claim is entitled to
18 accept or reject a Plan in both capacities by casting one ballot
19 for the secured part of the claim and another ballot for the
20 unsecured claim.

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

22 If impaired classes exist, the Court cannot confirm the
23 Plan unless:

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

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

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

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

9 **7. Treatment of Nonaccepting Classes.**

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

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

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

27
28

1 **B. Liquidation Analysis.**

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

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

20 For the Court to be able to confirm the Plan, the Court must
21 find that all creditors and interest holders who do not accept the
22 Plan will receive at least as much under the Plan as such holders
23 would receive under a Chapter 7 liquidation. The Plan Proponent
24 maintains that this requirement is met here for the following
25 reasons:

26 In a Chapter 7 liquidation, a Trustee would face a daunting
27 task to sell any property whatsoever. The debtor's real property
28 is subject to a lien in favor of Investors Warranty of America,

1 Inc. which the secured creditor contends before modification to be
2 in excess of \$11 million. The debtor does not believe that the
3 property could be sold for sufficient funds to pay the secured
4 debt, let alone to generate funds for unsecured creditors.
5 Similarly, other assets are all subject to security interests, and
6 any liquidation would be very difficult. In particular, a Trustee
7 would have to make special arrangements before being legally
8 authorized to sell any of the debtor's wine inventory.

9 Below is a demonstration, in balance sheet format, that all
10 creditors and interest holders will receive at least as much under
11 the Plan as such creditor or interest holder would receive under a
12 Chapter 7 liquidation. This information is provided by the debtor
13 and plan proponent).

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Asset	Value (at liquidation)	Secured claim	Available for unsecured creditors
Land and buildings	\$11,000,000 (est.)	\$11,000,000+	\$0
Accounts Receivable	\$177,083 (gross) assume 75% collectible in liquidation or \$132,000	\$260,000	\$0
Cash	Negligible		\$0
Equipment	\$28,564 (at book)	\$44,000	\$0
Wine Inventory	\$600,000 (at liquidation, estimated)	\$273,000	\$0

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:	8-45%	0

C. Feasibility.

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Plan Proponent maintains that this aspect of feasibility is satisfied as the debtor will demonstrate at the confirmation hearing the ability to pay the necessary \$40,000.00 in administrative expenses or will offer evidence of agreements with the administrative creditors.

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

The Proponent has provided financial statements which include both historical and projected financial information. Please refer to Exhibit B and C for the relevant financial statements. **You are advised to consult with your accountant or financial advisor if you have any questions pertaining to these financial statements.**

As Debtor's financial projections demonstrate, Debtor will have an average cash flow, after paying operating expenses and post-confirmation taxes, to make the payments for the life of the Plan. The Plan Proponent contends that Debtor's financial projections are feasible.

V

EFFECT OF CONFIRMATION OF PLAN

A. Discharge.

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

B. Revesting of Property in the Debtor.

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

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C. Modification of Plan.

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

D. Post-Confirmation Status Report.

Within 120 days of the entry of the order confirming the Plan, Plan Proponent shall file a status report with the Court explaining what progress has been made toward consummation of the confirmed Plan. The status report shall be served on the United States Trustee, the twenty largest unsecured creditors, and those parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same entities.

E. Post-Confirmation Conversion/Dismissal.

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

The order confirming the Plan may also be revoked under very limited circumstances. The Court may revoke the order if the

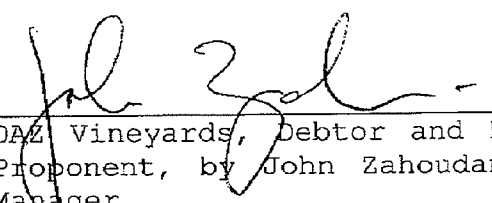
1 order of confirmation was procured by fraud and if the party in
2 interest brings an adversary proceeding to revoke confirmation
3 within 180 days after the entry of the order of confirmation.

4 **F. Final Decree.**


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

9 Respectfully submitted,

10 Dated: 3/30/2011

11 
12 DAZ Vineyards, Debtor and Plan
13 Proponent, by John Zahoudanis,
14 Manager

15 Dated: 3/30/2011

16 BEALL & BURKHARDT
17 
18 By: William C. Beall, Attorneys for
19 DAZ Vineyards, LLC, Debtor,
20 Plan Proponent
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