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

12 In re
13 DEERFIELD RANCH WINERY, LLC,
14 Debtor.

Case No. 15-10150-AJ

Chapter 11

**SEVENTH STIPULATION FOR
CONTINUED INTERIM USE OF CASH
COLLATERAL**

Hearing Date:

Date: February 12, 2016
Time: 9:00 a.m.
Place: United States Bankruptcy Court
99 South "E" Street
Santa Rosa, California 95404
Judge: Honorable Alan Jaroslovsky

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22 This *Seventh Stipulation for Continued Interim Use of Cash Collateral* dated as of
23 February 1, 2016 (this "**Interim Stipulation**"), is made by and between (i) DEERFIELD RANCH
24 WINERY, LLC ("**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11
25 case (the "**Case**"); (ii) secured creditor RABOBANK, N.A. ("**Rabobank**"); and (iii) the OFFICIAL
26 COMMITTEE OF UNSECURED CREDITORS OF DEERFIELD RANCH WINERY, LLC that has been
27 appointed in the Case ("**Committee**"; and Debtor, Rabobank, and Committee, collectively, the
28 "**Parties**").

INTRODUCTORY STATEMENT

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The following is a summary of the material terms of this Interim Stipulation, as required under the *Guidelines for Cash Collateral and Financing Motions and Stipulations* adopted by this Court effective January 1, 2006:

A. Name of Each Entity with Interest in Cash Collateral: Rabobank contends that Debtor is obligated to it under (i) a term loan (the **“Term Loan”**) with an original principal balance of \$8,000,000.00, a current principal balance of \$7,659,000.00, and accrued but unpaid interest to February 1, 2016 (the **“Statement Date”**), in the sum of \$181,988.95; and (ii) a line of credit (the **“Line of Credit”**) with an original and current principal balance of \$3,000,000.00, late charges of \$1,912.50, and accrued but unpaid interest to the Statement Date in the sum of \$113,268.26 (the foregoing accrued interest amounts prior to any application of the adequate protection payment due hereunder). Rabobank further contends that Debtor is obligated to it under the Term Loan and the Line of Credit for such other costs and fees as are set forth in the loan agreements and in other agreements between Rabobank and Debtor, including a swap termination fee of \$246,364.00. Rabobank further contends that it holds a first priority security interest in Debtor’s real property and a senior lien in Debtor’s personal property, except that each producer of grapes that are in the possession of Debtor and that has a monetary claim against Debtor is secured under the California Producer’s Lien Law, Cal. Food & Ag. Code sections 55631, *et seq.*, in priority senior to that of Rabobank.

B. Purposes for Use of Cash Collateral: Debtor intends to continue operations at its winery, as described in the Current Budget (defined below).

C. Terms, Including Duration, of Use of Cash Collateral. This Interim Stipulation is intended to allow Debtor to continue its operations through February 29, 2016.

D. Liens, Cash Payments, and Other Adequate Protection. Debtor will make one monthly adequate protection payment to Rabobank during the time period covered by the Current Budget (defined below)—that period being from February 1, 2016, through and including February 29, 2016 (that period, the **“Current Term”**)—in the amount of \$30,932.59 (the **“Current Adequate Protection Payment”**). Rabobank will also receive, as adequate protection for the use by

1 Debtor of Cash Collateral¹ a replacement lien in new Cash Collateral and in all personal property of
2 Debtor's estate of the same types as those in which Rabobank held a security interest as of the
3 commencement of the Case, including accounts receivable, inventory, farm products, general
4 intangibles, books and records, and equipment (all personal property of Debtor's estate in which
5 Rabobank has a security interest or lien, whether existing as of the commencement of the Case or
6 granted thereafter, such as for adequate protection, collectively, the "Collateral").

7 **AGREEMENT**

8 The following are the terms and conditions of this Interim Stipulation:

9 1. Terms, Including Duration, of Use of Cash Collateral.

10 a. This Interim Stipulation is intended to allow Debtor to continue its operations
11 through February 29, 2016. Debtor shall limit its use of Cash Collateral to the uses set forth in the
12 "*Deerfield Ranch Winery 2016 Cash Flow Forecast (8 Weeks) Prepared 2/10/16*" (for the weeks
13 beginning February 1 – February 22, 2016) that is attached hereto as **Exhibit A** (the "**Current**
14 **Budget**")², except that Debtor may have a total negative variance at the end of any week of the
15 Current Budget in the line item "Cumul. Net Cash Excess/(Shortage)" not to exceed the greater of
16 10% and \$10,000.00, as more particularly described in footnote 15 of the prior "Current Budget"
17 under the *Fifth Stipulation for Continued Interim Use of Cash Collateral* dated as of October 30,
18 2015, between the Parties, filed in the Case on November 6, 2015 [Docket No. 161]. The
19 cumulative variance measurement began at the end of Week 26 (week number since the Petition
20 Date) as timing issues can, and often do, impact actual results.

21 b. Debtor shall permit Rabobank and its inspectors or appraisers, as the case
22 may be, to visit, inspect, and appraise Debtor's real property and the Collateral, including Debtor's

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24 ¹ When used herein, the term "Cash Collateral" means "cash collateral" (as that term is defined in Bankruptcy Code
25 section 363(a)) in which Debtor's estate and Rabobank have an interest. For the avoidance of doubt, Cash
26 Collateral includes (i) cash collateral that is proceeds of property of Debtor or Debtor's estate in which Rabobank
27 had a security interest as of the commencement of the Case; and (ii) cash collateral that is proceeds of property of
28 Debtor's estate in which Rabobank had a replacement lien pursuant to this Interim Stipulation, any prior cash
collateral stipulation in the Case between Debtor and Rabobank, or any order on any of those stipulations.

² Despite its title, the Current Budget covers only the noted four weeks, which are weeks five through eight of
Debtor's current budget year.

1 winery, office, and all locations where Debtor's any Collateral is stored, all in accordance with the
 2 provisions as presently drafted of Section 11.10 of the draft *Loan Restructuring and Amended and*
 3 *Restated Credit Agreement* (the "**New Credit Agreement**") that Debtor, Rabobank, and the other
 4 parties thereto contemplate entering into pursuant to Debtor's *Plan of Reorganization Dated*
 5 *November 10, 2015* filed in the Case on that date [Docket No. 166], as it is soon expected to be
 6 modified by Debtor (the "**Plan**"), and the other applicable provisions of the New Credit Agreement;
 7 provided, however, that, in contemplation of the confirmation and implementation of the Plan, if the
 8 Plan is confirmed and implemented and the New Credit Agreement becomes effective as
 9 contemplated, any such visits, inspections, and appraisals undertaken by Rabobank pursuant to this
 10 Paragraph 1.b will be deemed to have been undertaken by Rabobank pursuant to the New Credit
 11 Agreement (including with respect to the number thereof permitted in any 12 month period).

12 c. Debtor shall update the Current Budget weekly each Wednesday and shall
 13 include actual weekly results compared to forecasted results as of the prior Sunday in a form that
 14 mirrors the Current Budget, an updated rolling inventory listing (including a listing of inventory
 15 quantities and values by location), rolling accounts receivable and accounts receivable aging,
 16 accounts payable aging, and sales-by-item summary report, and contemporaneously therewith,
 17 Debtor shall promptly deliver such financial information to Rabobank by 5:00 p.m. prevailing
 18 Pacific time each Wednesday. Upon reasonable request by Rabobank, Debtor shall allow Rabobank
 19 to have reasonable access to Debtor's financial advisor, and Debtor and its financial advisor shall
 20 provide Rabobank with current financial information and reports, such as accounts receivable
 21 agings, accounts payable agings, detailed inventory reports, sales by item summary reports, and
 22 bottling reports, sufficient to track inventory as it is bottled and sold and cash proceeds attributable
 23 to such specific sales.

24 d. Debtor shall provide to Rabobank Debtor's financial statement (including a
 25 balance sheet and profit and loss statement) as of December 31, 2015, which was to have been
 26 provided to Rabobank by January 31, 2016, pursuant to the *Sixth Stipulation for Continued Interim*
 27 *Use of Cash Collateral* dated as of January 1, 2016, between the Parties, filed in the Case on
 28 January 21, 2016 [Docket No. 203], no later than February 15, 2016.

1 e. There will be no new advances by Rabobank. Debtor shall deposit all Cash
2 Collateral in a debtor-in-possession account opened by Debtor. This Interim Stipulation will
3 terminate in the event (i) this Case is converted for any reason to a case under Chapter 7 of the
4 Bankruptcy Code; (ii) a trustee is appointed in this Case or Debtor for any reason ceases to be a
5 debtor-in-possession; or (iii) the Case is dismissed for any reason.

6 2. Adequate Protection.

7 a. Debtor shall make the Current Adequate Protection Payment (again, in the
8 amount of \$30,932.59) to Rabobank on February 15, 2016. This payment will be applied to accrued
9 interest from January 1, 2016, through and including January 31, 2016, at the then current contract
10 rates under the Term Loan and the Line of Credit; provided, however, that, in contemplation of the
11 confirmation and implementation of the Plan, if the Plan is confirmed and implemented and the
12 New Note (as defined in the Plan) and the New Credit Agreement become effective as
13 contemplated, the Current Adequate Protection Payment will be applied as a credit to (but not in full
14 satisfaction of) the monthly payments of interest that will be due Rabobank by Debtor under the
15 New Note and the New Credit Agreement from and after January 1, 2016. As of the Statement
16 Date, (i) the existing contract rate for the Line of Credit was 4.50 percent per annum, calculated at
17 1.00 percent above the applicable Prime Rate, and the *per diem* accrual was \$375.0000; and (ii) the
18 existing contract rate for the Term Loan was 2.9275 percent per annum, calculated at 2.50 percent
19 above the applicable LIBOR rate, and the *per diem* accrual was \$622.82563. By accepting any
20 payments authorized hereunder (including payments of interest calculated at the applicable non-
21 default rates) or by entering into this Interim Stipulation, Rabobank does not waive any or all rights
22 it had, has, or may have under the applicable loan documents to default interest, reasonable
23 attorneys' fees, costs, and expenses, and Debtor does not waive any rights it had, has, or may have
24 to contest these amounts.

25 b. As adequate protection for the use by Debtor of Cash Collateral, Rabobank is
26 granted a replacement lien in all new Cash Collateral and in all personal property of Debtor's estate
27 of the same types as those in which Rabobank held a security interest as of the commencement of
28 the Case, including accounts receivable, inventory, farm products, general intangibles, books and

1 records, and equipment, which replacement lien shall be of the same validity, extent, and priority as
2 Rabobank's pre-petition security interests (that replacement lien, the "**Replacement Lien**"). It is
3 estimated by Debtor, as shown in the Current Budget, that there will be approximately \$188,752.00
4 of cash collections, primarily from the sale of inventory, during the Current Term, but that nearly all
5 of those will be cash sales and that very little in the way of accounts receivable will be created over
6 the Current Term, on a net basis. Debtor does not expect to acquire additional inventory or
7 equipment during the Current Term, but to the extent Debtor bottles bulk wine, the value of existing
8 inventory Collateral will increase until it is sold, resulting in Cash Collateral and a reduction in the
9 value of inventory Collateral. The Replacement Lien is subordinate only to the compensation and
10 expense reimbursements (excluding professional fees) of any trustee appointed in the Case.

11 3. Further Assurances. Debtor shall execute such security agreements, deeds of trust,
12 financing statements, and other documents and instruments as may reasonably be requested by
13 Rabobank for the purpose of memorializing the Replacement Lien, but the entry of the Court's
14 order hereon (the "**Interim Order**") shall constitute a validly perfected lien upon the post-petition
15 Collateral without further act by Rabobank. If Rabobank chooses, in its sole discretion, to file such
16 financing statements or other documents, or otherwise to confirm perfection of such lien, all such
17 financing statements or similar documents are deemed to have been filed or recorded at the time and
18 on the date of the commencement of the Case.

19 4. No Waiver of Avoidance Actions. Debtor does not waive any right to bring an
20 avoidance action under Bankruptcy Code sections 544, *et seq.*

21 5. Right to Waive. Rabobank shall have the right to waive any of the rights, remedies,
22 or powers granted in this Interim Stipulation and the Interim Order, and shall have no obligation or
23 duty to any other party with respect to the exercise of those rights, remedies, or powers. Delay in or
24 failure to exercise any of those rights, remedies, or powers shall not subject Rabobank to any
25 liability to any other party, nor shall any other party rely upon such delay or failure or in any way
26 seek to assert the same as a defense to any obligation owing to Rabobank.

27 6. Priority. The rights granted herein are for the purpose of inducing Rabobank to
28 consent to the use of Cash Collateral and to afford Rabobank adequate protection for that use. In the

1 event that the protection provided by the Replacement Lien turns out, in retrospect, to have been
2 inadequate, Rabobank shall be entitled to the priority afforded by Bankruptcy Code section 507(b)
3 to the extent of any deficiency. The Replacement Lien shall have and enjoy the same relative
4 priority to post-petition liens of other secured creditors, if any there be, as the security interests of
5 Rabobank had and enjoyed with respect to liens of other secured creditors as of the commencement
6 of the Case.

7 7. Binding on Trustee. The terms and conditions of this Interim Stipulation shall be
8 binding upon any trustee appointed in the Case or in any case to which the Case may be converted.

9 8. Court Approval. This Interim Stipulation is subject to approval of the Bankruptcy
10 Court pursuant to Federal Rule of Bankruptcy Procedure 4001(d) and entry of the Interim Order in
11 form and substance satisfactory to Rabobank.

12 9. Rules of Construction. The rules of construction of Bankruptcy Code section 102
13 apply to this Interim Stipulation.

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15 [Signatures on Following Page]
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IT IS SO STIPULATED.

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By: _____ /s/ Shane J. Moses
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