

1 Steven M. Olson, Esq.  
State Bar No. 146120  
2 LAW OFFICE OF STEVEN M. OLSON  
100 E Street, Suite 104  
3 Santa Rosa, CA 95404  
Telephone: (707) 575-1800  
4 Facsimile: (707) 575-1867  
Email: smo@smolsonlaw.com  
5 Attorney for Sullivan Vineyards Corporation

6 Michael C. Fallon, Esq.  
State Bar No. 88313  
7 FALLON & FALLON  
100 E Street, Suite 219  
8 Santa Rosa, CA 95404  
Telephone: (707) 546-6770  
9 Facsimile: (707) 546-5775  
Email: [mcfallon@fallonlaw.net](mailto:mcfallon@fallonlaw.net)  
10 Attorney for Sullivan Vineyards Partnership

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

14  
15 In Re Case No. 17-10065-AJ  
(Chapter 11)  
16 SULLIVAN VINEYARDS  
CORPORATION,  
17 Debtor.

18 \_\_\_\_\_/  
19 SULLIVAN VINEYARDS  
PARTNERSHIP, Case No. 17-10067-AJ  
(Chapter 11)  
20 Debtor.  
21 \_\_\_\_\_/

22 **DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT**  
23 **REORGANIZATION PLAN OF SULLIVAN VINEYARDS CORPORATION AND**  
**SULLIVAN VINEYARDS PARTNERSHIP DATED MAY 24, 2017**

24 **TO ALL CREDITORS AND OTHER PARTIES IN INTEREST:**

25 **THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE UNITED STATES**  
26 **BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA AS CONTAINING**  
27 **ADEQUATE INFORMATION AS REQUIRED BY THE BANKRUPTCY CODE FOR**  
28 **SOLICITATION OF ACCEPTANCES OF THE FIRST AMENDED CHAPTER 11 PLAN OF**  
**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION**  
**PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN**  
**VINEYARDS PARTNERSHIP DATED MAY 24, 2017** - Page 1

1 REORGANIZATION DATED MAY 24, 2017, AND FILED BY THE DEBTORS IN THESE  
2 JOINTLY ADMINISTERED PROCEEDINGS. HOWEVER, APPROVAL OF THE DISCLOSURE  
3 STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN BY THE COURT.  
4 THE COURT HAS MADE NO INDEPENDENT INVESTIGATION OR DETERMINATION OF ANY  
5 FACTUAL STATEMENTS OR DOLLAR VALUES SET FORTH IN THE PLAN OR THE  
6 DISCLOSURE STATEMENT.

7 DATED: May 24, 2017 /s/ Michael C. Fallon  
8  
9 

---

Michael C. Fallon  
Attorney for SVP

10  
11 DATED: May 24, 2017 /s/ Steven M. Olson  
12 

---

Steven M. Olson  
13 Attorney for SVC

14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017 - Page 2**

1 **I. INTRODUCTION**

2 Sullivan Vineyards Corporation (“SVC”) and Sullivan Vineyards Partnership  
3 (“SVP”), the Debtors-in-Possession in the above-captioned jointly administered cases,  
4 submit this Disclosure Statement (the “Disclosure Statement”) in support of the First  
5 Amended Joint Reorganization Plan of Sullivan Vineyards Corporation and Sullivan  
6 Vineyards Partnership Dated May 24, 2017 (the "Plan"). SVC and SVP seek to  
7 reorganize their debts. This Disclosure Statement is being provided to creditors to  
8 provide adequate information of a kind, and in sufficient detail, to enable creditors to  
9 make informed judgments about the Plan before exercising their rights to vote for  
10 acceptance or rejection of the Plan. Capitalized terms in this Disclosure Statement are  
11 defined in the Plan.

12 An acceptance or rejection of the Plan may be voted by completing the ballot  
13 which accompanies the Plan and mailing, faxing, or emailing it to the Law Offices of  
14 Michael C. Fallon, 100 E Street, Ste 219, Santa Rosa, California 95404. (707) 546-5775  
15 (Fax) or [manders@fallonlaw.net](mailto:manders@fallonlaw.net), or by mailing, faxing, or emailing it to the Law Office  
16 of Steven M. Olson, 100 E Street, Suite 104, Santa Rosa, CA 95404 (707) 575-1867  
17 (Fax) or [smo@smolsonlaw.com](mailto:smo@smolsonlaw.com).

18 **II. BACKGROUND OF THE DEBTORS**

19 **A. Formation.**

20 The Sullivan family purchased its first vineyard in Napa Valley in 1972. In 1978,  
21 it purchased the vineyard property located at 1090 Galleron Road, Rutherford, California  
22 (the “Winery Property”) and began a small winery thereon.

23 In 1987, SVP was formed to own the Winery Property. The initial partners were  
24 JoAnna Sullivan, her husband, James O’Neil Sullivan, and their five children, Philomena  
25 Gildea, Sean Sullivan, Kelleen Sullivan, Caireen Sullivan and Ross Sullivan.

26 Also in 1987, SVC was formed to own and operate the winery on SVP’s Winery  
27 Property. The initial shareholders in SVC were JoAnna Sullivan, her husband,

1 James O'Neil Sullivan, and their five children, Philomena Gildea, Sean Sullivan, Kelleen  
2 Sullivan, Caireen Sullivan and Ross Sullivan.

3 James Sullivan passed in 2004, and JoAnna retained his shares in SVC and his  
4 interest in SVP.

5 **B. Mr. Finn Acquires Control in 2011.**

6 In August of 2011, JoAnna Sullivan wished to retire. She sold her interests in  
7 SVC and SVP to Stephen Finn, who had recently married Kelleen Sullivan. Mr. Finn thus  
8 became the majority shareholder in SVC and the majority partner in SVP.

9 As of August of 2011, the assets of SVP and SVC included the following:

10 <b>Asset</b>	<b>Book Value</b>
11 Winery Property	\$2,050,963
12 Bottled Wine	\$1,942,959
13 Bulk Wine	\$919,327
14 TOTAL	\$4,913,249

15 As of August of 2011, the liabilities of SVP and SVC included the following:

16 <b>Liability Type</b>	<b>Apx. Amt.</b>
17 DOTs Against Winery Property	\$7,059,971
18 SVC other third-party debts	\$449,622
19 SVP other debts	\$198,693
20 TOTAL	\$7,708,286

21 **C. Kelleen Sullivan Divorces Mr. Finn and Acquires His Interests in SVC and**  
22 **SVP.**

23 When Kelleen Sullivan became engaged to marry Mr. Finn, she and Mr. Finn  
24 entered into a prenuptial agreement. One of the terms of this agreement was that upon the  
25 entry of a divorce decree, any ownership interests of Mr. Finn would become the assets  
26 of Kelleen Sullivan.

27 In the spring of 2015, the marriage was deteriorating. Mr. Finn attempted to  
28 amend the prenuptial agreement so that his interests in SVC and SVP would not be

1 transferred to Kelleen upon entry of the divorce decree. Mr. Finn threatened to “bankrupt  
2 the winery” and “run it into the ground” if Kelleen refused his demand to modify the  
3 prenuptial agreement.

4 In May of 2015, Kelleen Sullivan commenced a divorce proceeding in Colorado,  
5 where she and Mr. Finn were then residing. Mr. Finn, on May 22, 2015, listed the Winery  
6 Property and the related assets for sale for \$20 million.

7 In June of 2015, the Colorado divorce court issued an injunction barring Mr. Finn  
8 from “transferring, encumbering or disposing of the Winery, or listing the Winery for  
9 sale.”

10 On October 7, 2015, the Colorado Court issued orders entering a divorce decree  
11 and enforcing a portion of the parties’ prenuptial agreement that dealt with SVC and  
12 SVP. The Order provides, in pertinent part:

13 The marriage is dissolved and a Decree of Dissolution of Marriage is  
14 entered.

15 [T]he Court does order the immediate transfer to Petitioner of  
16 Respondent's entire ownership interest in Sullivan Vineyards, including  
17 but not limited to Respondent's shares of Sullivan Vineyards Corporation  
18 and his partnership interest in Sullivan Vineyards Partners.

19 Following this Order, SVC installed new directors and officers.

20 On October 23, the Colorado Court issued a more complete, detailed order  
21 addressing the interest in SVC and SVP. In that order, the Colorado Court reiterated its  
22 prior orders of October 7 and October 9, and specifically ordered that Mr. Finn’s interest  
23 in SVC and SVP had been transferred to Kelleen Sullivan. Mr. Finn has appealed the  
24 Colorado Court orders, but he has not requested or obtained a stay of the transfers of his  
25 interests in SVC and SVP pending appeal.

26 **D. Financial Condition of SVC and SVP at Time of Transfer to Kelleen.**

27 As of September 30, 2015, the assets of SVP and SVC included the following:

28 Asset	Book Value
Winery Property	\$4,903,128

1	Bottled Wine	\$2,409,212
2	Bulk Wine	\$2,014,294
3	TOTAL	\$9,326,634

4

5 As of September 30, 2015, the liabilities of SVP and SVC included the following:

6	<b>Liability Type</b>	<b>Apx. Amt.</b>
7	First DOT Against Winery Property	\$9,538,889
8	Disputed Second DOT of Mr. Finn Against Winery Property	\$4,144,122
9	SVC other third-party debts	\$408,333
10	SVP other debts	\$38,264
11	TOTAL	\$14,129,608

12

13 Thus, during the time when Mr. Finn had controlling ownership interests in SVC  
14 and SVP, the combined debts of the two entities grew by approximately \$6,421,322, and  
15 the combined book values of their assets grew by \$4,413,385.

16 The third-party debts, excluding the debts secured by deed of trust against the  
17 Winery Property, aggregated approximately \$446,597 when Kelleen Sullivan acquired  
18 majority ownership from Mr. Finn. In the 15 months since then, the Debtors have  
19 reduced the aggregate balance of their third-party debts by approximately \$129,000.  
20 During the same time period, the Debtors paid down the principal balance of the debt  
21 secured by the first deed of trust against the Winery Property by approximately \$194,994,  
22 until WR, the assignee of the claim, refused to accept any further periodic payments.

23 **E. Mr. Finn's Pre-Divorce Efforts to Force Sale of Assets.**

24 Notwithstanding the Colorado court's June 2015 injunction, Mr. Finn proceeded  
25 with extensive efforts to cause the sale of the assets of SVC and SVP. Mr. Finn  
26 orchestrated a meeting of shareholders of SVC in July of 2015 on very short notice to  
27 change the board of directors of SVC. The minority shareholders hurriedly obtained  
28 counsel to assist them in banding together to elect one of the three board members, Ross

1 Sullivan.

2 On or about August 3, 2015, Mr. Finn caused SVC and SVP to file a Complaint in  
3 Napa County Superior Court, seeking a declaratory judgment regarding the sale of assets.

4 Mr. Finn gave very short notice of a special board meeting. He sought a  
5 resolution authorizing the sale of the assets of SVC before the October trial in his divorce  
6 proceeding.

7 Mr. Finn then filed another suit in Napa County Superior Court. He sought an *ex*  
8 *parte* order to appoint his selected director to force the sale of assets. The Court denied  
9 Mr. Finn's request.

10 **F. Mr. Finn's 2016 Litigation Actions.**

11 In February of 2016, JoAnna Sullivan filed suit against Mr. Finn in Napa County  
12 Superior Court to enforce Mr. Finn's obligations to JoAnna Sullivan in the agreement by  
13 which Mr. Finn acquired JoAnna's Sullivan's interests in SVP and SVC, including his  
14 obligations to pay \$9,000 per month for the rest of JoAnna Sullivan's life and his  
15 obligation to pay \$500,000 towards a life interest of a personal residence for JoAnna  
16 Sullivan. Mr. Finn responded by removing the action to the United States District Court  
17 for the Northern District of California and then filing a cross-complaint against SVC,  
18 SVP and individual members of the Sullivan family. Judge Orrick granted motions to  
19 strike the cross-complaint.

20 On September 15, 2016, Mr. Finn filed a new action against SVC, SVP, and  
21 Sullivan family members, asserting the same claims as he had asserted in the cross-  
22 complaint. By order entered on January 13, 2017, Judge Orrick granted the defendants'  
23 motion to dismiss Mr. Finn's complaint on the ground it is barred by the doctrine of  
24 judicial estoppel. In so doing, Judge Orrick found that Mr. Finn was "playing fast and  
25 loose with the courts," that his assertion in the complaint of ownership interests in SVC  
26 and SVP was contrary to Mr. Finn's representations in the Colorado divorce court, and  
27 that the decision would "protect the integrity and dignity of the Colorado proceedings."  
28

1 **G. Mr. Finn's Disputed Secured Claim.**

2 In May of 2012, SVC and SVP jointly and severally gave Mr. Finn their  
3 Subordinated Secured Grid Promissory Note (the "Grid Note"), secured by a deed of trust  
4 against SVP's real property and by a security interest in much of the personal property of  
5 SVC and SVP. The Grid Note contemplated future advances from Mr. Finn pursuant to  
6 written requests from the authorized officers of SVC and SVP. The Grid Note was signed  
7 by Ross Sullivan on behalf of SVP in his stated capacity as partner, and it was signed by  
8 David B. Runberg on behalf of SVC in his stated capacity as CFO.

9 In May of 2012, when the Grid Note was created, Mr. Finn and senior lienor  
10 Silicon Valley Bank entered into an agreement by which Mr. Finn agreed to subordinate  
11 his liens and security interests to Silicon Valley Bank and Mr. Finn agreed to subordinate  
12 his right to receive payments to Silicon Valley Bank, such that no payments were due and  
13 payable to Mr. Finn until SVC and SVP had repaid their debt to Silicon Valley Bank.

14 SVC and SVP dispute whether most of the advances from Mr. Finn on the Grid  
15 Note were properly authorized. As of May of 2012, Mr. Finn was majority shareholder in  
16 SVC and he was majority partner in SVP. If the advances on the Grid Note were not  
17 properly authorized, SVC and SVP contend that the law prevents Mr. Finn from asserting  
18 claims arising from the advances unless he can establish that the advances were just and  
19 reasonable, evaluated from the perspective of SVC and SVP.

20 **H. Cause of Bankruptcy Petitions - Foreclosure by Secured Creditors.**

21 In mid 2016, the debt secured by a senior security interest in the assets of SVC  
22 and SVP matured by its terms. SVP and SVC sought to refinance to pay this debt. They  
23 were unable to do so, however, because of (1) the cloud created by Mr. Finn's assertion  
24 of a continued ownership interest in SVC and SVP, and (2) the cloud created by Mr.  
25 Finn's assertion of a debt of over \$4 million secured by a junior security interest in the  
26 assets of SVC and SVP.

27 Mr. Finn, through a limited liability company formed by him called Winery  
28



1 Rehabilitation, LLC (“WR”) acquired the secured claim of Silicon Valley Bank.

2 Thereafter, WR and Mr. Finn commenced nonjudicial foreclosure.

3 **I. Post-Petition Settlement Between Debtors and WR/Finn.**

4 On May 9, 2017, Judge Dennis Montali conducted a settlement conference with  
5 the Debtors, on the one hand, and WR and Mr. Finn, on the other hand. The settlement  
6 conference was successful. It resulted in a settlement agreement that is the subject of a  
7 pending motion to compromise controversy. The Plan is contingent upon entry of an  
8 order (the “Compromise Order”) granting the motion to compromise controversy. The  
9 settlement terms are incorporated into the Plan.

10 The settlement contains the following central terms, as relates to SVC and SVP:

11 a. WR has an allowed \$12,000,000 claim against SVC and SVP, secured by  
12 WR’s existing security interests in the Winery Property and the Debtors’ personal  
13 property. This claim will accrue interest at the rate of 5% per annum from the date of  
14 entry of the Compromise Order until paid. The claim will be due and payable no later  
15 than 18 months after the date of entry of the Compromise Order. SVC and SVP shall pay  
16 all accrued interest on a monthly basis, beginning 30 days after the date of entry of the  
17 Compromise Order.

18 b. Neither WR nor Mr. Finn will interfere with the efforts of SVC or SVP to  
19 generate the requisite funds to pay the WR claim, via sale, refinance or equity infusion.

20 c. Effective on the date of entry of the Compromise Order, Kelleen Sullivan  
21 will quit claim, to Mr. Finn, her asserted interests in the real property and improvements  
22 located at 575 Circle Drive, Denver, CO (the “Colorado Property”) and any tangible  
23 personal property presently in the possession of Mr. Finn for which she asserts an interest  
24 (including clothing and personal effects and physical paintings), and she will release Mr.  
25 Finn from any future alimony payments, in exchange for Mr. Finn’s assignment, to  
26 Kelleen Sullivan, of Mr. Finn’s secured claim against SVC and SVP. Kelleen Sullivan  
27 acknowledges that her secured claim amount is reduced by the difference between the  
28

1 \$12 million WR allowed claim pursuant to this Agreement and the \$10,533,177.12  
2 asserted by WR in its objection to the Disclosure Statement. Upon the assignment, Mr.  
3 Finn will have no further individual secured claim against SVC or SVP or against the  
4 assets of SVC or SVP.

5 d. Effective on the date of entry of the Compromise Order, Mr. Finn and WR  
6 release any and all asserted equity interests in SVC and SVP and any and all asserted  
7 capacities as officer, director or manager of SVC and SVP.

8 e. In the event SVC and SVP (1) fail timely to make a monthly interest  
9 payment to WR, or (2) materially violate the Bankruptcy Code causing an impairment of  
10 WR's collateral, and do not cure the delinquency within ten days after they receive  
11 written notice of the delinquency, then WR may prosecute a motion to convert the SVC  
12 and SVP cases to chapter 7.

13 f. In the event SVC and SVP do not pay the entire unpaid balance of the  
14 allowed claim of WR within 18 months after the date of entry of the Compromise Order,  
15 then WR may prosecute a motion to convert the SVC and SVP cases to chapter 7. If the  
16 cases have been closed before the date of maturity, then WR may re-open the cases in  
17 order to prosecute a conversion motion.

18 g. WR and Mr. Finn will not oppose a reorganization plan of SVC and SVP  
19 provided it does not impair this allowed claim of WR, nor will WR or Mr. Finn interfere  
20 with the efforts of SVC and SVP to confirm such a reorganization plan.

21 h. WR consents to SVC's and SVP's use of WR's cash collateral to pay  
22 reasonable operating expenses pending confirmation of a reorganization plan and the  
23 plan going into effect, conditioned on SVC's and SVP's compliance with their  
24 obligations to WR as set forth in the settlement agreement.

25 i. Upon the entry of the Compromise Order, SVC, SVP, WR and Mr. Finn  
26 will stipulate to relief from stay to authorize the United States District Court for the  
27 Northern District of California, in Case No. 16-cv-05285-WHO, to amend its January 13,  
28

1 2017, Order re Motions Heard January 4, 2017, and will also stipulate to the amendment  
2 of this order, only to remove the injunction against foreclosure contained in the second  
3 paragraph thereof.

4 j. Mr. Finn and WR will take no voluntary actions to support the claims of  
5 any asserted third-party creditors against SVC, SVP or Kelleen Sullivan, including  
6 without limitation the claims asserted against SVC and Kelleen Sullivan by Angelica de  
7 Vere, Teresa Sullivan, Trinity Scott, Elizabeth Matulich, and Sonya Grabski.

8 k. SVC, SVP, and the partners in SVP, on the one hand, and WR and Mr.  
9 Finn, on the other hand, will exchange broad general releases of any other claims one  
10 may have against the other.

#### 11 **J. Post-Petition Events.**

12 Following the filing of the Chapter 11 case, SVC and SVP have filed all required  
13 Schedules, Statements of Affairs, and other initial papers. SVP was authorized to retain  
14 Fallon & Fallon as its counsel in the proceedings, and SVC was authorized to retain the  
15 Law Office of Steven M. Olson as its counsel in the proceedings. Prior to the Chapter 11  
16 filing, Michael C. Fallon was paid a \$15,000 retainer on account of services to be  
17 rendered in this case, and Steven M. Olson was paid a \$35,000 retainer.

18 No official committee of unsecured creditors has been appointed in this case.

19 The Bankruptcy Court has ordered the cases of SVP and SVC to be jointly  
20 administered.

### 21 **III. SUMMARY OF THE PLAN**

22 The Plan incorporates the terms of the settlement with WR. It seeks to restructure  
23 the other debts of SVC and SVP in two main ways. First, the junior debt in favor of  
24 Kelleen Sullivan, as assignee of Mr. Finn, will be subordinated to all other claims  
25 against SVC or SVP. Second, unsecured creditors of SVC and unsecured creditors of  
26 SVP will each be paid shall be paid in full via ten semiannual installments, with interest  
27 at the Legal Rate from the petition dates, commencing six months from the Effective  
28

1 Date.

2 The treatment of claims and interests described below applies only to Allowed  
3 Claims. Determination of the amounts due to creditors will be after reconciliation of the  
4 amounts claimed by the Creditor in question with the applicable Debtor's records. In the  
5 event of a dispute, the applicable Debtor will file an objection to the allowance of the  
6 claim.

7 The treatment of each particular type of Creditor is described below.

8 a. Unclassified Claims

9 Section 1123(a)(1) of the Bankruptcy Code provides that certain claims, including  
10 claims for post-petition administrative expenses (including professional fees) and certain  
11 claims by governmental units for taxes, are not classified under the Plan. Entities holding  
12 unclassified claims are not entitled to vote on the Plan.

13 Any unpaid professional fees incurred up through Confirmation will be paid if  
14 and when allowed by the Court pursuant to Bankruptcy Code Section 330. The amount of  
15 unpaid professional fees depends in large part on whether there are contested  
16 Confirmation proceedings. SVP's counsel estimates that the amount of these additional  
17 fees may range from zero to \$25,000. SVC's counsel estimates that the amount of these  
18 additional fees will exceed \$100,000. All other post-petition administrative expenses,  
19 including quarterly fees due or to become due to the United States Trustee will be paid as  
20 of the Effective Date of the Plan. The Debtors estimate that, other than professional fees,  
21 unpaid administrative expenses will be less than \$5,000.

22 All tax claims entitled to priority under Bankruptcy Code Section 507(a)(8) ("Tax  
23 Claims") will receive equal deferred quarterly cash payments over a period not to exceed  
24 five (5) years after the SVC Petition Date or the SVP Petition Date, as applicable, as  
25 provided by Bankruptcy Code Section 1129(a)(9)(C). Tax Claims will bear interest at the  
26 rate specified in Section 6621 of the Internal Revenue Code or the similar provision in  
27 the California statutes regarding Tax Claims owing to the State of California.

28  
**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017** - Page 12

1 Unclassified Tax Claims do not include local real estate taxes. SVP believes that it owes  
2 no unclassified Tax Claims, and SVC believes that its unclassified Tax Claims aggregate  
3 less than \$5,200.

4 b. Classified Claims And Interests

5 The Plan divides claims and interests into fourteen (14) classes. A description of  
6 each class and its treatment under the Plan is as follows:

7 Class 1: Secured Claim of The County of Napa

8 The County of Napa holds a Secured Claim in an unknown amount, which claim,  
9 if any, is collateralized by a lien on the Winery Property as provided by non-bankruptcy  
10 law. The Plan provides that to the extent that the County of Napa has an Allowed  
11 Secured Claim, it will be paid on a current basis in accordance with nonbankruptcy law.  
12 This Class is unimpaired and not entitled to vote on the Plan.

13 Class 2: Winery Rehabilitation, LLC

14 WR holds a Secured Claim in the amount of \$12,000,000, as of the date of entry  
15 of the Compromise Order. Except to the extent that the holder of the Class 2 Claim has  
16 agreed to a different treatment of such Claim, the holder of the Allowed Class 2 Claim  
17 shall be paid in accordance with the terms and conditions in the settlement agreement  
18 arising from the May 9, 2017, settlement conference, as approved by the Court. The  
19 holder of the Allowed Class 2 Secured Claim shall retain its lien on the Winery Property  
20 and its security interests in the inventory, equipment, and intangibles of SVC and in the  
21 equipment and intangibles of SVP to the extent enforceable under non-bankruptcy law.  
22 This Class is unimpaired and not entitled to vote on the Plan.

23 Class 3: Kelleen Sullivan.

24 Class 3 consists of the Allowed Claim of Kelleen Sullivan, in her capacity as  
25 assignee of Stephen A. Finn, secured by a junior deed of trust lien on the Winery  
26 Property, a junior security interest in the inventory, equipment, and intangibles of SVC,  
27 and a junior security interest in the equipment and intangibles of SVP. This Class is  
28

1 deemed fully secured by its collateral. The holder of the Allowed Class 3 Secured Claim  
2 shall retain her liens under non-bankruptcy law. SVC and SVP will pay the Class 3 Claim  
3 from available cash only after all other Allowed claims against SVC and SVP are paid in  
4 full.

5 Class 4: Claims of General Unsecured Creditors of SVP

6 Class 4 Allowed General Unsecured Claims shall be paid in full via ten  
7 semiannual installments, with interest at the Legal Rate from the SVP Petition Date,  
8 commencing six months from the Effective Date. SVP may prepay the Class 4 Claims in  
9 full or in part at any time. This Class is impaired and entitled to vote on the Plan.

10 Class 5: Claims of General Unsecured Creditors of SVC

11 Class 5 Allowed General Unsecured Claims shall be paid in full via ten  
12 semiannual installments, with interest at the Legal Rate from the SVC Petition Date,  
13 commencing six months from the Effective Date. SVC may prepay the Class 4 Claims in  
14 full or in part at any time. This Class is impaired and entitled to vote on the Plan.

15 Class 6: Ford Credit

16 Ford Credit holds a claim in the approximate amount of \$15,500 secured by a lien  
17 on SVC's 2016 Ford F250 vehicle. Except to the extent that the holder of the Class 6  
18 Claim has agreed to a different treatment of such Claim, the holder of the Allowed Class  
19 6 Claim shall be paid in accordance with applicable non-bankruptcy law, except as  
20 provided in Section 1124(2) of the Bankruptcy Code. The holder of the Allowed Class 6  
21 Secured Claim shall retain its lien on SVC's vehicle to the extent enforceable under non-  
22 bankruptcy law. The Class 6 Claimant is not impaired and therefore is not entitled to vote  
23 on the Plan.

24 Class 7: Growers

25 Two entities hold claims against SVC for the purchase price for grapes sold to  
26 SVC in 2016. These claims are secured by the growers' statutory liens on the wine made  
27 from the growers' grapes. Except to the extent that a holder of the Class 7 Claim has  
28

1 agreed to a different treatment of such Claim, the holder of the Allowed Class 7 Claim  
2 shall be paid in accordance with applicable non-bankruptcy law, except as provided in  
3 Section 1124(2) of the Bankruptcy Code. The holders of the Allowed Class 7 Secured  
4 Claims shall retain their liens on SVC's wine made from their grapes to the extent  
5 enforceable under non-bankruptcy law. The Class 7 Claimants are not impaired and  
6 therefore are not entitled to vote on the Plan.

7 Class 8: SVC Priority Employee Benefit Claim

8 SVC has a small amount of indebtedness for employee benefits, an amount SVC  
9 believes is less than \$1,000. These Claims will be paid in full on the Effective Date. The  
10 Class 8 Claimants are not impaired and therefore are not entitled to vote on the Plan.

11 Class 9: Warehouse Secured Claims

12 Two warehouses at which SVC stores bottled wine hold claims that aggregate  
13 approximately \$36,300. These claimants have statutory warehouse liens on the items  
14 being stored at their respective facilities. Except to the extent that a holder of a Class 9  
15 Claim has agreed to a different treatment of such Claim, the holders of the Allowed Class  
16 9 Claims shall be paid in accordance with applicable non-bankruptcy law, except as  
17 provided in Section 1124(2) of the Bankruptcy Code. The holders of the Allowed Class 9  
18 Secured Claims shall retain their liens on SVC's wine being stored at their respective  
19 facilities, to the extent enforceable under non-bankruptcy law. The Class 9 Claimants are  
20 not impaired and therefore are not entitled to vote on the Plan.

21 Class 10: SVP's Claims Against SVC

22 The claims of SVP against SVC are subordinated to all other claims against SVC.  
23 SVC will pay the claims of SVP from available funds only after all other claims against  
24 SVC are paid in full. The Class 10 Claimant is impaired and entitled to vote on the Plan.

25 Class 11: Equity Interests in SVP

26 The Class 11 interests of the general partners in SVP shall remain unaltered by  
27 this Plan. This Class is unimpaired and therefore is not entitled to vote on the Plan.

1 Class 12: Equity Interests in SVC

2 The Class 12 interests of the shareholders in SVC shall remain unaltered by this  
3 Plan. This Class is unimpaired and therefore is not entitled to vote on the Plan.

4 Class 13: SVP Administrative Convenience Claims

5 Class 13 consists of Allowed Claims in amounts no more than \$1,000, or for  
6 which the claimant elects to reduce the Allowed amount to \$1,000, that would otherwise  
7 be in Class 4, whose holders elect, in their ballots submitted on the Plan, to have their  
8 claims placed in Class 13. They will receive a payment equal to 70% of their Allowed  
9 claim amount on or before the end of the sixth month after the Effective Date. This Class  
10 is impaired and entitled to vote on the Plan.

11 Class 14: SVC Administrative Convenience Claims

12 Class 14 consists of Allowed Claims in amounts no more than \$1,000, or for  
13 which the claimant elects to reduce the Allowed amount to \$1,000, that would otherwise  
14 be in Class 5, whose holders elect, in their ballots submitted on the Plan, to have their  
15 claims placed in Class 14. They will receive a payment equal to 70% of their Allowed  
16 claim amount on or before the end of the sixth month after the Effective Date. This Class  
17 is impaired and entitled to vote on the Plan.

18 c. Other Provisions of the Plan

19 The Plan contains a number of other provisions concerning its implementation.  
20 The following is a summary. Consult the Plan itself for details.

21 1. Post-Confirmation Disbursing Agent.

22 Following Confirmation, the Reorganized Debtors will act as the Disbursing  
23 Agents under the Plan. The Debtors reserve the right to appoint any other Person as the  
24 Disbursing Agent under the Plan, if it so chooses.

25 2. Post-Confirmation Compensation and Reimbursement of Professionals.

26 All professionals employed by the Reorganized Debtor or the Disbursing Agent  
27 (if a third party Disbursing Agent is appointed), including the Debtors' Professionals,  
28



1 shall be entitled to payment of their post-Confirmation Date fees and reimbursement of  
2 expenses on a monthly basis, based on the service of a detailed statement of the requested  
3 fees and expenses on the Notice Parties as discussed more fully in the Plan. Pre-  
4 Confirmation compensation remains subject to the noticed motion requirements of  
5 Bankruptcy Code Section 330.

6 3. Distributions and Claims.

7 Subject to the deadlines in the Plan, Distributions will be made to Creditors when  
8 their Claims are Allowed Claims, as defined in the Plan. Proofs of Claim, when required,  
9 must be filed with the Bankruptcy Court no later than the applicable Claims Bar Date, or  
10 the applicable Governmental Unit Claims Bar Date for prepetition tax and similar Claims.  
11 However, Bankruptcy Rule 3001(b) provides that it is not necessary for a Creditor to file  
12 a proof of Claim if its Claim has been listed on the Debtors' Schedules filed with the  
13 Bankruptcy Court pursuant to Section 521(a)(1) of the Bankruptcy Code and Rule  
14 1007(a)(3) of the Bankruptcy Rules, and is not listed as disputed, contingent,  
15 unliquidated or unknown as to amount. Except as provided by the Plan or as otherwise  
16 permitted by the Bankruptcy Court, the Bankruptcy Rules or applicable law, upon  
17 expiration of the applicable bar date, proofs of Claim may not be filed or amended unless  
18 the amendment is solely to decrease the amount or priority. Distributions to Creditors  
19 under the Plan will be made to the Persons shown on the Debtors' or the Bankruptcy  
20 Court's records on the Effective Date.

21 **Any party who acquires a claim against the Reorganized Debtor after the**  
22 **Effective Date must arrange with the holder on that date to receive**  
23 **Distributions to which the transferee may be entitled. Neither the**  
24 **Reorganized Debtors nor the Disbursing Agent will be required to track**  
25 **changes in ownership of claims after the Effective Date.**

26 Objections to any Claim may be filed by any party in interest and shall be filed  
27 no later than the Claims Objection Date, which is defined in the Plan as 90 days after the  
28 Effective Date.

4. Reservation of Litigation Rights.

**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017 - Page 17**

1 Under the Plan, the Debtors reserve all of its litigation rights and defenses against  
2 all Creditors, including without limitation (1) any claims and causes of action against any  
3 party, and (2) the right to object to any Claim, even if the Creditor in question votes to  
4 accept the Plan, including without limitation objections to the claims of Trinity Scott,  
5 Teresa Sullivan, Elizabeth Matulich, Sonyia Grabski, and Angelica de Vere. The failure  
6 of this Disclosure Statement to disclose or discuss any particular potential Claim  
7 objection, cause of action or claim for relief held by the Debtors or the Bankruptcy  
8 Estates is not and shall not be construed as a settlement, compromise, waiver, or release  
9 of any such Claim objection, cause of action or claim for relief.

10 5. Retention of Jurisdiction.

11 Article X of the Plan provides that the Bankruptcy Court shall retain broad  
12 jurisdiction under the Bankruptcy Code to adjudicate any disputes arising out of the Plan,  
13 the administration of the case, and claims for relief held by the Debtors or Reorganized  
14 Debtors.

15 6. Persons Bound/Discharge of Debts.

16 Confirmation of the Plan binds the Debtors, the Reorganized Debtors, any entity  
17 acquiring property under or otherwise accepting the benefits of the Plan, and every  
18 Creditor, whether or not such Creditor has filed a proof of Claim in the bankruptcy case,  
19 whether or not the Claim of such Creditor is impaired under the Plan, and whether or not  
20 such has accepted or rejected the Plan. The Confirmation Order shall operate as an  
21 injunction against the commencement or continuation of any action to collect, recover or  
22 offset any debt in this case from the Debtors, the Reorganized Debtors, or their Estates,  
23 except as otherwise permitted by this Plan, the Bankruptcy Code, or order of the Court.

24 7. Executory Contracts.

25 All insurance contracts to which SVC or SVP is an insured will be assumed on  
26 the Effective Date. SVC's contracts to purchase grapes with Castellucci Napa Valley and  
27 Rutherford River Ranch will be assumed on the Effective Date. All other executory  
28

1 contracts of SVP or SVC will be deemed rejected on the Effective Date unless, prior to  
2 Confirmation, SVP or SVC gives the other party to any such executory contract notice of  
3 the intent to assume the contract upon Confirmation. Proofs of Claim arising from  
4 rejection of executory contracts must be filed within sixty (60) days after the Effective  
5 Date.

6 8. Co-Debtor Injunction.

7 *Asserted creditors Angelica De Vere, Teresa Sullivan, Sonyia Grabski,*  
8 *Elizabeth Matulich, and Trinity Scott will be enjoined from taking any actions to*  
9 *pursue asserted co-debtor Kelleen Sullivan for so long as there is no uncured default*  
10 *by SVC or SVP under the Plan.*

11 **IV. STATEMENT OF ASSETS AND LIABILITIES**

12 **AND FEASIBILITY OF THE PLAN**

13 **A. In General**

14 This section will describe the assets and liabilities of the Debtors and discuss the  
15 feasibility of the Plan.

16 **B. Assets**

17 The sole meaningful asset of SVP's Estate is the Winery Property. The general  
18 partners in SVP believe that its Winery Property asset has a fair market value of at least  
19 \$16,000,000.

20 The assets of SVC's Estate include bottled wine inventory that SVC values at  
21 \$5,500,000, bulk wine inventory that SVC values at \$850,000, other tangible personal  
22 property assets that SVC values at approximately \$1,650,000, and intangible personal  
23 property assets that SVC values at approximately \$4,678,000. SVC apprehends that the  
24 liquidation values of these assets, were SVC to discontinue operations, is a fraction of  
25 these stated going-concern values.

26 **C. Liabilities**

27 SVP's best estimate of the amount of asserted claims against its Chapter 11 Estate  
28

1 is as follows:

2	<b>Secured Debts</b>	
3	Napa County Tax Collection	\$ 12,000.00
4	Winery Rehabilitation	12,000,000.00
5	Kelleen Sullivan	3,300,000.00
6	<b>SUBTOTAL SECURED DEBT</b>	<b>\$15,312,000.00</b>
7	<b>Unsecured Debts</b>	
8	Administrative Expenses	\$ 15,000.00
9	Priority Claims (Non-Tax)	0.00
10	Priority Unsecured Tax Claims	0.00
11	General Unsecured Claims	130,996.00
12	<b>SUBTOTAL UNSECURED DEBT</b>	<b>\$ 145,996.00</b>
13	<b>TOTAL DEBT</b>	<b>\$14,357,996.00</b>

14 SVC's best estimate of the amount of asserted claims against its Chapter 11  
15 Estate, before taking into account the objection to the secured claim of Mr. Finn and  
16 excluding the subordinated debts to SVP, is as follows:

17	<b>Secured Debts</b>	
18	Ford Credit	\$ 15,500.00
19	Winery Rehabilitation	12,000,000.00
20	Kelleen Sullivan	3,300,000.00
21	Warehouses	36,300.00
22	Growers	50,000.00
23	<b>SUBTOTAL SECURED DEBT</b>	<b>\$15,401,800.00</b>
24	<b>Unsecured Debts</b>	
25	Administrative Expenses	\$120,000.00
26	Priority Claims (Non Tax)	1,000.00
27	Priority Claims (Tax)	5,200.00
28	General Unsecured Claims	186,769.85

**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017 - Page 20**

<b>SUBTOTAL UNSECURED DEBT</b>	312,969.85
<b>TOTAL DEBT</b>	\$15,714,769.85

The combined debts of SVC and SVP, counting debts for which the two debtors are jointly and severally liable only once, aggregate approximately \$12,572,765.85, excluding the subordinated debts of SVC to SVP and of SVC and SVP to Kelleen Sullivan.

Former employees Angelica de Vere (the former CEO of SVC), Teresa Sullivan (the former CFO of SVC), Elizabeth Matulich, Sonyia Grabski, and Trinity Scott have filed general unsecured claims against SVC aggregating just over \$2,000,000. SVC has requested the bases for the calculations of the claims of these claimants. To date, the claimants have not provided the requested information. SVC is preparing objections to these claims. SVC anticipates that the objections will be filed before June 1, 2017. SVC is confident that it will prevail on the objections.

**D. Feasibility of the Plan**

The Debtors estimate that the Plan will require them to have on hand the sum of \$222,300 on the effective date to pay administrative-expense claims, Warehouse secured claims, Growers secured claims, and non-tax unclassified priority claims. The Debtors estimate that they will have cash on hand, from operations, of approximately \$200,000 on the effective date. The majority shareholder in SVC and majority partner in SVP, Kelleen Sullivan, will advance any required balance of funds in order to facilitate full payment of sums that must be paid on the effective date.

Successful consummation of the Plan requires the Debtors to make periodic payments to its secured and unsecured creditors and to maintain the Winery Property.

The Debtors estimate that the monthly debt service accruing and/or due to its secured and priority Creditors under the Plan will be approximately \$51,000 per month. Other operating costs on the Winery Property are approximately \$175,000 per month. As

1 is noted above, the Debtors estimate that they owe approximately \$317,765.85 in third-  
2 party general unsecured claims. The Plan requires that these claims be paid in 60 months;  
3 i.e., approximately \$31,776.59 semi annually. Thus, the Plan plus operations will require  
4 total average monthly outflows of approximately \$231,000 per month, or \$2,772,000 per  
5 year.

6 The Debtors believe they can make these payments. Historically, the Debtors'  
7 gross revenues from operations over the past four fiscal years is as follows:

8 Fiscal Year Ending	Annual Gross Revenues
9 3/31/2013	\$1,721,555.00
10 3/31/2014	\$2,510,771.23
11 3/31/2015	\$3,490,094.99
12 3/31/2016	\$3,352,544.52
13 3/31/2017	\$2,214,903.96

14 For the 2017 fiscal year, the Debtors' operations were significantly impaired by  
15 the extensive litigation involving Mr. Finn, as discussed above. The settlement with Mr.  
16 Finn and Winery Rehabilitation LLC will enable the Debtors to focus on business  
17 operations going forward.

18 The agreement with Winery Rehabilitation LLC calls for monthly interest  
19 payments and for a payment of the principal balance within 18 months after the  
20 Compromise Order is entered. The Debtors believe they will be able to generate the funds  
21 for repayment by obtaining take-out financing within the 18-month period. If the  
22 financing is not available, then the Debtors will sell their assets in order to pay Winery  
23 Rehabilitation LLC and all other creditors holding allowed claims.

24 Aside from financial matters, the Debtors believe that they can comply with all  
25 technical requirements of the Bankruptcy Code necessary to confirm and substantially  
26 consummate the Plan.

## 27 V. ALTERNATIVES TO THE PLAN

### 28 A. Chapter 7 Liquidation

**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017 - Page 22**

1 In Chapter 7 liquidation proceeding, the Debtors' interests in any assets of the  
2 Estates would vest in Chapter 7 trustees, who would either release them to the respective  
3 secured Creditors or attempt to sell those assets to third parties and distribute any  
4 proceeds Pro Rata to all Creditors of the estate under the priorities established by  
5 Bankruptcy Code Section 507. Chapter 7 Trustees also have the statutory power to assert  
6 "avoidance claims" and other litigation claims held by the Estates against third parties  
7 pursuant to Bankruptcy Code Sections 510, 541, 544, 545, 547, 548, and 549, which can  
8 generate funds to pay unsecured Creditors.

9 The Debtors believe that the Plan is significantly more beneficial to Creditors  
10 than Chapter 7 for two main reasons.

11 First, it is unlikely that a Chapter 7 Trustee would elect to continue to operate the  
12 Debtors' businesses to facilitate a going-concern sale. This would likely result in a  
13 significant negative impact on the proceeds realized from a sale.

14 Second, although the Plan proposes to subordinate the claims of SVP against SVC  
15 and to subordinate the secured claim of Kelleen Sullivan to the claims of other creditors,  
16 these claims would most likely not be subordinated in distributions by a Chapter 7  
17 trustee. The general rule in Chapter 7 is that insider claims are not subordinated.  
18 Subordination could only occur if the Chapter 7 trustee were to incur the expense and  
19 uncertainty of an adversary complaint for subordination and were to prevail.

20 In light of the foregoing, the Debtors apprehend that a liquidation in Chapter 7  
21 would not generate sufficient funds, after payment of administrative expenses, priority  
22 claims, and secured claims, to facilitate payment in full to general unsecured creditors.

23 **B. No Other Plans**

24 The Bankruptcy Code permits parties in interest other than the Debtors to propose  
25 a plan of reorganization under certain circumstances. The Plan submitted by the Debtors  
26 is the only plan of reorganization that has been proposed at this time.

1 **VI. CERTAIN FEDERAL INCOME TAX**  
2 **CONSEQUENCES OF THE PLAN**

3 **A. In General**

4 The following is a summary of certain United States federal income tax  
5 consequences of the Plan that may be material to Creditors (each a “Holder”). This  
6 discussion is included for general information purposes only and is not intended to be,  
7 and is not, legal or tax advice to any particular Holder. This summary is based on the  
8 current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the  
9 Income Tax Regulations (the “Regulations”) and other legal authorities, all of which are  
10 subject to change, possibly with retroactive effect. No rulings from the Internal Revenue  
11 Service (the “IRS”) or opinions of counsel have been or will be requested concerning the  
12 matters discussed below. The tax consequences set forth in the following discussion are  
13 not binding on the IRS or the courts, and no assurance can be given that contrary  
14 positions will not be successfully asserted by the IRS or adopted by a court.

15 This summary does not address the taxation of the Debtors or the Holders under  
16 state, local law or foreign law.

17 **TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT**  
18 **CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY**  
19 **DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE**  
20 **STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON,**  
21 **AND CANNOT BE RELIED UPON BY HOLDERS FOR THE PURPOSE**  
22 **OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS**  
23 **UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS**  
24 **INCLUDED HEREIN BY DEBTOR IN CONNECTION WITH THE**  
25 **PROMOTION OR MARKETING (WITHIN THE MEANING OF**  
26 **CIRCULAR 230) BY DEBTORS OF THE TRANSACTIONS OR MATTERS**  
27 **ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE**  
28 **BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN**  
**INDEPENDENT TAX ADVISOR.**

**EACH HOLDER SHOULD CONSULT THE HOLDER’S OWN TAX**  
**ADVISOR TO DETERMINE THE HOLDER’S PARTICULAR U.S.**  
**FEDERAL INCOME TAX CONSEQUENCES AND OTHER TAX**  
**CONSEQUENCES TO THE HOLDER OF THE PLAN, INCLUDING ANY**  
**STATE, LOCAL AND FOREIGN TAX LAWS AND THE EFFECT OF ANY**  
**CHANGES IN SUCH LAWS.**



1 **B. Consequences to Creditors.**

2 Creditors should consult their own tax advisors concerning any income tax  
3 consequences of their respective treatment under the Plan.

4 **C. Wage Withholding.**

5 If any Allowed Claim under the Plan constitutes “wages” for U.S. federal income  
6 tax purposes, the U.S. federal income tax rules applicable to wage withholding will apply  
7 to the payment of the Allowed Claim.

8 **D. Backup Withholding.**

9 U.S. federal income tax laws require that, to avoid backup withholding with  
10 respect to “reportable payments” (in an amount equal to 28%), a Creditor or Holder must  
11 (a) provide the Debtors with its correct taxpayer identification number (“TIN”) on IRS  
12 Form W-9 and certify as to its eligibility for exemption from backup withholding, or (b)  
13 establish a basis for exemption from backup withholding on an appropriate IRS Form W-  
14 8 (including a Form W-8BEN, W-8ECI, W-8EXP and W-8IMY) or IRS Form W-9, as  
15 applicable. Exempt Creditors and Holders (including, among others, all corporations and  
16 certain foreign individuals) are not subject to backup withholding and reporting  
17 requirements. If withholding is made and results in an overpayment of taxes, a refund  
18 may be obtained.

19 **VII. VOTING, ACCEPTANCE AND CONFIRMATION**

20 **A. In General.**

21 The Hon. Alan Jaroslovsky, Judge, United States Bankruptcy Court, has set a date  
22 for the hearing on the Confirmation of the Plan. The hearing is to be held at the United  
23 States Bankruptcy Court, 99 South E Street, Santa Rosa, CA 95404. The Plan can be  
24 implemented only if accepted by the requisite percentage of Creditors and confirmed by  
25 the Bankruptcy Judge. Creditors entitled to vote should vote on the Plan by filling out  
26 and mailing the accompanying ballot to counsel. There is no assurance that, if accepted,  
27 the Plan will be confirmed by the Bankruptcy Judge.

28  
**DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017 - Page 25**

1 **B. Voting.**

2 Only impaired classes under the Plan will be entitled to vote on the Plan. The  
3 definition of an “impaired” class of Creditors is set forth in Section 1124 of the  
4 Bankruptcy Code. Classes 3, 4, 5, 10, 13 and 14 are impaired by the Plan and entitled to  
5 vote. No other Classes are impaired under the Plan. Pursuant to Section 1126(f) of the  
6 Bankruptcy Code, a class that is not impaired under the Plan, and each holder of a Claim  
7 of such class, are conclusively presumed to have accepted the Plan, and solicitation of  
8 acceptances with respect to such class from the holders of Claims of such class is not  
9 required. The Bankruptcy Code defines “acceptance” of a plan by a class of Creditors as  
10 acceptance by the holders of two-thirds (2/3) in dollar amount and more than one-half  
11 (1/2) in number of the claims of that class which actually cast ballots for acceptance or  
12 rejection of the Plan, not counting any acceptances submitted by insiders.

13 In addition to the requirement that a Creditor be in an “impaired class”, in order  
14 for a Creditor's vote to be counted, either for or against the Plan, the Creditor must have  
15 either (1) filed a proof of claim on or before the “Claims Bar Date”; or (2) have been  
16 listed by the Debtor in the Schedule of Liabilities as having a claim which was  
17 noncontingent and undisputed.

18 **IF YOU HAVE ALREADY FILED A CLAIM YOU NEED NOT REFILE FOR THE**  
19 **PURPOSE OF VOTING ON THE PLAN.**

20 If a Creditor wishes to vote for or against the Plan, the Creditor should complete  
21 an acceptance or rejection of the Plan on the form ballot enclosed herewith which must  
22 be returned pursuant to the instructions set forth thereon.

23 **C. Confirmation.**

24 If no impaired Creditor classes accept the Plan, it cannot be confirmed. If at least  
25 one impaired class of Creditors of each of the Debtors accepts the Plan, the Court will  
26 hold a Confirmation Hearing. At the Confirmation hearing, the Bankruptcy Judge has the  
27 duty to determine whether the Plan meets the requirements of Section 1129 of the  
28

1 Bankruptcy Code. The principal requirements of Section 1129 include the following: (1)  
2 that the proponents of the Plan have complied with the applicable provisions of the  
3 Bankruptcy Code on all matters connected with the case; (2) that the Plan has been  
4 proposed in good faith, and not by any means forbidden by law; (3) that the requisite  
5 amount of Creditors have accepted the Plan or that the Creditors are receiving an amount  
6 not less than they would receive if liquidation under Chapter 7 took place; (4) that at least  
7 one class of Creditors has accepted the Plan; and (5) that Confirmation of the Plan is not  
8 likely to be followed by liquidation, or the need for further financial reorganization of the  
9 debtor; and (6) that the Debtors and the Plan in all other respects comply with applicable  
10 law. Only if such determinations are made will the Judge confirm the Plan.

11 In addition, if there are impaired Creditor classes which have rejected the Plan,  
12 the Bankruptcy Judge may order Confirmation over their rejection, but only if the Judge  
13 first determines that the rights of non-consenting classes of Creditors are protected under  
14 Bankruptcy Code Section 1129(b) and other applicable law.

15 **D. Modification of the Plan.**

16 The Debtors may propose amendments to or modifications of the Plan under  
17 Section 1127(a) of the Bankruptcy Code and Bankruptcy Rule 3019 at any time prior to  
18 the conclusion of the hearing on Confirmation of the Plan. After the Confirmation Date,  
19 the Debtors or Reorganized Debtors may modify the Plan in accordance with Section  
20 1127(b) of the Bankruptcy Code and Bankruptcy Rule 3019.

21 **VIII. CONCLUSION**

22 The Debtors believe that its Plan of Reorganization realistically affords to  
23 Creditors their best opportunity for receiving a prompt, meaningful dividend. The  
24 Debtors therefore respectfully request that Creditors vote to accept the Plan.

25  
26 Dated: May 24, 2017

/s/ Michael C. Fallon  
Michael C. Fallon  
Attorney for SVP

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Dated: May 24, 2017

SULLIVAN VINEYARDS PARTNERSHIP

/s/ Ross Sullivan  
Its Responsible Individual

Dated: May 24, 2017

/s/ Steven M. Olson  
Steven M. Olson  
Attorney for SVC

Dated: May 24, 2017

SULLIVAN VINEYARDS  
CORPORATION

/s/ Ross Sullivan  
Its Responsible Individual

1 **CERTIFICATE OF SERVICE**

2 I reside in the County of Sonoma, State of California. I am over the age of 18  
3 years and not a party to the within action. My business address is Law Office of Steven  
4 M. Olson, 100 E Street, Suite 104, Santa Rosa, CA 95404.

5 On May 24, 2017, I served the

6 **DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT  
7 REORGANIZATION PLAN OF SULLIVAN VINEYARDS CORPORATION AND  
8 SULLIVAN VINEYARDS PARTNERSHIP DATED MAY 24, 2017**

9 on the parties listed on the attached Service List. I served such parties in the manner  
10 described as follows:

11 /X/ (BY MAIL) I placed a copy of the document in sealed envelopes, with postage  
12 thereon fully prepaid for First Class Mail, addressed to such parties as have mailing  
13 addresses set forth on the attached Service List, for collection and mailing at Santa Rosa,  
14 California.

15 /\_/\_ (BY PERSONAL SERVICE) I caused the document to be delivered by hand to the  
16 address(es) noted on the attached Service List.

17 /\_/\_ (BY FACSIMILE) I caused the document to be transmitted by facsimile machine to  
18 such parties as have facsimile numbers set forth on the attached Service List.

19 /\_/\_ (BY EMAIL) I caused the document to be transmitted by Email to such parties as  
20 have Email addresses set forth on the attached Service List.

21 I declare under penalty of perjury, under the laws of the United States and of the  
22 State of California, that the foregoing is true and correct. Executed at Santa Rosa,  
23 California, on May 24, 2017.

24 */S/ Steven M. Olson*  
25 By: \_\_\_\_\_  
26 Steven M. Olson

27 **DISCLOSURE STATEMENT TO ACCOMPANY FIRST AMENDED JOINT REORGANIZATION  
28 PLAN OF SULLIVAN VINEYARDS CORPORATION AND SULLIVAN  
VINEYARDS PARTNERSHIP DATED MAY 24, 2017** - Page 29

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**SERVICE LIST**

**Special Notice**

Philip S. Warden, Esq.  
Cecily A. Dumas, Esq.  
Pillsbury Winthrop Shaw Pittman LLP  
4 Embarcadero Center, 22 Fl  
San Francisco, CA 94111-5998

**United States Trustee**

Lynette C. Kelly, Esq.  
Office of the U.S. Trustee  
450 Golden Gate Avenue, 5<sup>th</sup> Fl., #05-0153  
San Francisco, CA 94102

**Securities and Exchange Commission**

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549