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6 UNITED STATES BANKRUPTCY COURT
7 NORTHERN DISTRICT OF CALIFORNIA

8 In Re Case No. 14-11620-AJ
9 LOLETA CHEESE COMPANY, INC., (Chapter 11)

10 Debtor.
11 _____/

Preliminary Hearing:
Date: November 21, 2014
Time: 9:00 a.m.
Location: 99 South E Street, Santa
12 Rosa, CA

Final Hearing:
Date: December 5, 2014
Time: 9:00 a.m.
Location: 99 South E Street, Santa
15 Rosa, CA

16 **MOTION FOR AUTHORITY TO USE CASH COLLATERAL**

17 Loleta Cheese Company, Inc., the Chapter 11 Debtor in Possession (the
18 “Debtor”), show as follows:

19 **I.**

20 **RELIEF REQUESTED**

21 1. The Debtor requests that the Court authorize the Debtor's use of the cash
22 collateral of Nilsen Feed & Grain Company and of Loleta Operations, LLC, in the
23 manner requested herein.

24 **II.**

25 **MOTION**

26 2. The Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 1334
27 and 157. This is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(M). This motion is
28 made pursuant to 11 U.S.C. §§ 105 and 363 and Federal Rule of Bankruptcy Procedure

1 4001(b).

2 3. The Debtor filed a voluntary petition for relief under Chapter 11 of the
3 Bankruptcy Code on November 19, 2014.

4 4. The Debtor is the manufacturer of high quality cheeses. It derives its
5 income from the sale of traditional and organic cheeses. It has three major channels for
6 sales: bulk wholesale, wholesale distribution and the retail store/website. The Debtor has
7 approximately 21 employees.

8 5. For the 2014 fiscal year (which ended on September 30, 2014), the
9 Debtor's approximate bulk sales generated approximately \$4 million, its wholesale
10 distribution sales generated approximately \$890,000, and its retail store/website sales
11 generated approximately \$636,000.

12 6. At present, the Debtor has approximately 66,000 pounds of cheese in its
13 inventory, and the Debtor has accounts receivable aggregating approximately \$160,000.

14 7. The Debtor's inventory must be managed and sold in order to realize its
15 value. The Debtor also needs to process incoming milk in order to preserve the cash-flow
16 stream and its ongoing business value.

17 8. The Debtor has filed its chapter 11 petition in order to forestall collection
18 efforts of Loleta Operations, LLC, the assignee of its primary secured debt. Loleta
19 Operations, LLC, has filed suit against the Debtor in Humboldt County Superior Court
20 and has obtained a temporary restraining order that prevents the Debtor from continuing
21 to manage its assets and to remain in business.

22 9. The Debtor no longer owns dairy cattle or has involvement in milk
23 production. It has valuable equipment from its previous milk-production activities that it
24 no longer needs and it would like to sell to generate funds to pay Loleta Operations, LLC.
25 The Debtor believes this equipment could generate sufficient net funds to pay almost the
26 entirety of the debt owing to Loleta Operations, LLC. The Debtor's estimated aggregate
27 equipment sale net revenues are \$356,000, and the approximate payoff of the debt owing
28 to Loleta Operations, LLC, is \$395,000.

1 10. The Debtor apprehends that Loleta Operations, LLC, has refused to
2 cooperate with the Debtor's efforts to sell excess equipment to generate funds for
3 payment of its debt to Loleta Operations, LLC, because Loleta Operations, LLC, has an
4 ulterior motive: it wants to take over the Debtor's business.

5 11. On March 19, 2013, and March 20, 2013, creditor Nilsen Feed & Grain
6 Company filed financing statements with the California Secretary of State. The financing
7 statements assert that the creditor has a Dairy Cattle Supply Lien on proceeds of milk and
8 milk products pursuant to Section 57402 of the California Food and Agriculture Code.
9 The Debtor understands that the statutory lien of Nilsen Feed & Grain has a time
10 limitation. The Debtor believes the dollar amount of the secured claim of Nilsen Feed &
11 Grain Company is approximately \$30,000.

12 12. On April 3, 2014, Bear River Band of Rohnerville Rancheria filed a
13 financing statement with the California Secretary of State. The financing statement
14 asserts that the creditor has a security interest in the Debtor's equipment, inventory,
15 general intangibles and accounts receivable. The Debtor understands that Bear River
16 Band of Rohnerville Rancheria has assigned its claim to Loleta Operations, LLC. The
17 collateral of Loleta Operations, LLC, includes equipment with an approximate value of
18 \$931,000 (including, in part, the excess dairy equipment the Debtor intends to sell to
19 generate funds to pay down Loleta Operations, LLC), inventory with an approximate
20 value of \$160,000, raw materials with an approximate value of \$55,000, and accounts
21 receivable with an approximate collectible value of \$134,000.

22 13. The Debtor needs to use its business revenues to preserve its "cash flow
23 streams." It seeks Court authority to use cash collateral to pay expenses that are
24 necessary to preserve the cash flow stream. These expenses include, but are not limited
25 to, rent, compensation to employees, utilities, taxes arising from post-petition operations,
26 supplies, services, and the like. The creditors with liens on the cash collateral are
27 adequately protected by their equity cushions in their collateral.

28 WHEREFORE, Loleta Cheese Company, Inc., the Chapter 11 Debtor in

1 Possession, respectfully requests that the Court:

- 2 1. Authorize the above-described use of cash collateral; and
3 2. Grant the Debtor such other and further relief, at law or in equity, to
4 which the Debtor may be justly entitled.

5 Dated: November 19, 2014

LAW OFFICE OF STEVEN M. OLSON

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/s/ Steven M. Olson

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BY: _____

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Steven M. Olson
ATTORNEY FOR DEBTOR

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