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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 **DECLARATION OF NICOLE LAFFRANCHI IN SUPPORT OF**  
17 **MOTION FOR AUTHORITY TO USE CASH COLLATERAL**

18 Nicole Laffranchi declares:

19 1. I am over eighteen (18) years old, and I am competent to testify as to the  
20 matters set forth hereinbelow.

21 2. I am the CFO of Loleta Cheese Company, Inc., the debtor-in-possession in  
22 the above-captioned case.

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

27 4. For the 2014 fiscal year (which ended on September 30, 2014), the  
28 Debtor's approximate bulk sales generated approximately \$4 million, its wholesale

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1 distribution sales generated approximately \$890,000, and its retail store/website sales  
2 generated approximately \$636,000.

3 5. At present, the Debtor has approximately 66,000 pounds of cheese in its  
4 inventory, and the Debtor has accounts receivable aggregating approximately \$160,000.

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

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

13 8. The Debtor no longer owns dairy cattle or has involvement in milk  
14 production. It has valuable equipment from its previous milk-production activities that it  
15 no longer needs and it would like to sell to generate funds to pay Loleta Operations, LLC.  
16 The Debtor believes this equipment could generate sufficient net funds to pay almost the  
17 entirety of the debt owing to Loleta Operations, LLC. The Debtor's estimated aggregate  
18 equipment sale net revenues are \$356,000, and the approximate payoff of the debt owing  
19 to Loleta Operations, LLC, is \$395,000.

20 9. The Debtor apprehends that Loleta Operations, LLC, has refused to  
21 cooperate with the Debtor's efforts to sell excess equipment to generate funds for  
22 payment of its debt to Loleta Operations, LLC, because Loleta Operations, LLC, has an  
23 ulterior motive: it wants to take over the Debtor's business.

24 10. On March 19, 2013, and March 20, 2013, creditor Nilsen Feed & Grain  
25 Company filed financing statements with the California Secretary of State. The financing  
26 statements assert that the creditor has a Dairy Cattle Supply Lien on proceeds of milk and  
27 milk products pursuant to Section 57402 of the California Food and Agriculture Code. I  
28 understand that the statutory lien of Nilsen Feed & Grain has a time limitation. I believe

