

**THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

Meier's Wine Cellars Acquisition, LLC, et al.¹

Debtors.

Chapter 11

Case No. 24-11575 (____)

(Joint Administration Requested)

**DECLARATION OF SETH KAUFMAN, THE PRESIDENT AND
CHIEF EXECUTIVE OFFICER OF DEBTOR VINTAGE WINE ESTATES, INC., IN
SUPPORT OF FIRST DAY MOTIONS OF DEBTORS AND DEBTORS IN POSSESSION**

I, Seth Kaufman, hereby declare under penalty of perjury, that:

1. I am the President and Chief Executive Officer of Vintage Wine Estates, Inc. (NV) ("VWE"), a debtor and debtor in possession in the above-captioned chapter 11 cases (together with its affiliate debtors, the "Debtors" or the "Company"). I joined VWE as President and Chief Executive Officer in October 2023.

2. Prior to taking on my current role, I served as the President and Chief Executive Officer of Moët Hennessy North America from August 2019 to October 2023. Before that, I had spent the majority of my career at PepsiCo, where I held several leadership roles between 2001 and 2019, including roles such as senior vice president, Chief Marketing Officer and President, North American Nutrition & The Hive.

¹ The Debtors are the following eleven entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): Meier's Wine Cellars Acquisition, LLC (5557); California Cider Co., Inc. (0443); Girard Winery LLC (5076); Grove Acquisition, LLC (9465); Meier's Wine Cellars, Inc. (2300); Mildara Blass Inc. (1491); Sabotage Wine Company, LLC (8393); Thames America Trading Company Ltd. (0696); Vinesse, LLC (3139); Vintage Wine Estates, Inc. (CA) (2279); and Vintage Wine Estates, Inc. (NV) (5902). The Debtors' noticing address in these chapter 11 cases is 205 Concourse Boulevard, Santa Rosa, California 95403.

3. I received a Bachelor of Arts in Public Communications – Television, Radio & Film Management from Syracuse University and a Master's of Business Administration from the University of Michigan.

4. As part of my role at the Company, I am generally familiar with the Debtors' history, day-to-day operations, business and financial affairs and books and records, as well as the Debtors' restructuring efforts.

5. On July 23 and July 24, 2024 (together, the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court"). An organizational chart for the Company is attached hereto as Exhibit A.

6. To minimize the adverse effects of filing for chapter 11 protection and to enhance their ability to consummate a successful restructuring and confirm a chapter 11 plan, the Debtors have filed a number of pleadings requesting various kinds of "first day" relief (collectively, the "First Day Motions") concurrently with the filing of this declaration (this "Declaration"). I am generally familiar with the contents of each First Day Motion (including the exhibits and other attachments to such motions) and, to the best of my knowledge, insofar as I have been able to ascertain after reasonable inquiry, believe the relief sought in each First Day Motion: (a) is necessary to enable the Debtors to operate in chapter 11 with minimum disruptions; (b) is important to the Debtors' achievement of a successful restructuring; and (c) best serves the Debtors' estates and creditors' interests. Further, it is my belief that the relief sought in the First Day Motions is narrowly tailored and necessary to achieve the goals identified above.

7. I submit this Declaration in support of: (a) the Debtors' petitions for relief under chapter 11 of the Bankruptcy Code and (b) the First Day Motions. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (a) my personal knowledge; (b) information supplied to me by other members of the Debtors' management team or the Debtors' professionals; (c) my review of relevant documents; or (d) my opinion based upon my experience and knowledge of the Debtors' operations and financial conditions. If called upon to testify, I could and would testify to the facts set forth in this Declaration. I am authorized by the Debtors to submit this Declaration.

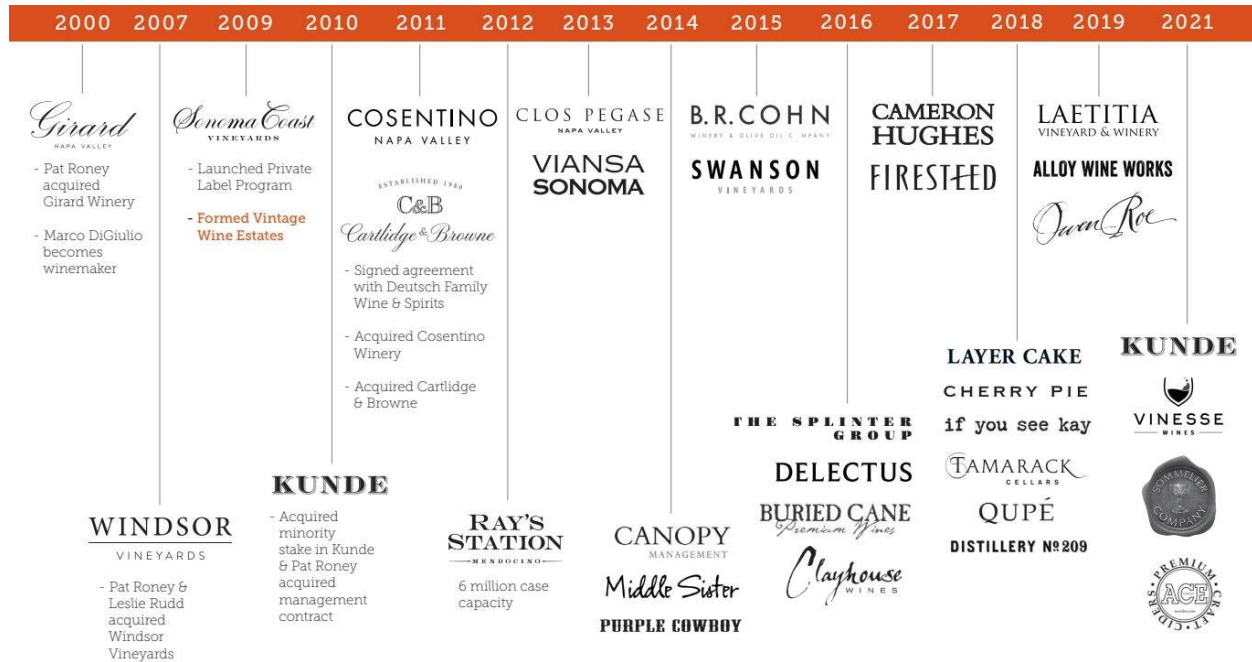
8. Part I of this Declaration provides a summary overview of the Debtors' history and operations. Part II describes the challenges facing the Debtors' business and their attempts to right-size their businesses. Part III describes the Debtors' prepetition marketing process and proposed postpetition sale process. Part IV contains a detailed description of the Debtors' capital structure (including their long term debt and other material obligations). Part V sets forth relevant facts in support of the First Day Motions.

Part I

The Debtors' History and Operations

A. General Corporate Overview

9. The Company was founded by Pat Roney and Leslie Rudd in 2000 when they acquired Girard Winery. In 2007, the Company acquired Windsor Vineyard, an early direct-to-consumer wine company, at which point the Company was rebranded as Vintage Wine Estates. Over the course of the subsequent 17 years, the Company completed 28 additional acquisitions, developing a diverse portfolio of estates, production centers and intellectual property. A timeline of the acquisitions made by the Company prior to going public in 2021 is below:



10. In 2021, the Company merged with Bespoke Capital Acquisition Corp. ("Bespoke"), a special purpose acquisition corporation, and began trading publicly in June. Bespoke is a special purpose acquisition company formed in 2019 in British Columbia. VWE, the entity that resulted from the business combination transaction, is a Nevada corporation with offices in Santa Rosa, California. The common shares, without par value, of VWE (the "Common Shares"), and the warrants to purchase Common Shares of VWE (the "Warrants"), are currently listed on the Nasdaq Stock Exchange, trading under the tickers "VWE" and "VWEW," respectively.

11. The Company has a diverse brand portfolio, which encompasses all aspects of the wine production process. From growing the grapes in a vineyard, to bottling and shipping product, to selling product directly to the consumer, the Company is involved in every aspect of wine production. The business is organized into three segments: direct-to-consumer, wholesale and business-to-business, which encompasses all aspects of production and expands the

Company's reach to any wine consumer. Within all of these sectors, there is a degree of seasonality, with sales typically lowest in the first quarter of the year and highest in the October through December fiscal quarter – due, in part, to seasonal holiday buying and wine club shipments.

12. Today, the Company comprises one of the largest wine producers in the United States based on cases shipped and owns more than 30 brands of wine, ranging in price from \$10 to \$140 per bottle, including many nationally recognized brands such as Firesteed, B.R. Cohn and Cameron Hughes. Many of the Company's brands are offered for sale at the 11 wineries located on the 1,850 acres of land the Company owns or leases in Napa Valley, Oregon and Washington. Aside from wine, the Company also owns a cider brand (ACE Cider), has ownership in a whisky brand (The Splinter Group) and acquired the brand and inventory of Distillery No. 209, which includes No. 209 Gin. The Company currently employs more than 400 workers in 15 states, with the majority of its workforce located in California. As of March 31, 2024, the Company had approximately \$475 million in assets and \$400 million in liabilities, on a consolidated basis.

B. Current Operations

13. As noted above, the Company's operations are broken down into three business segments: (a) direct-to-consumer, (b) wholesale and (c) business-to-business. These business segments allow the Company to reach the wine consumer anywhere, including at estate wineries, retail stores, in restaurants, on the telephone, on the internet, on television or by mail.

i. Direct-to-Consumer

14. The direct-to-consumer business segment accounted for approximately 29% of the Company's \$283.3 million net revenue in 2023. Direct-to-consumer products include wine

club memberships, e-commerce, tasting rooms and TeleSales. In 2022, the Company acquired an additional direct-to-consumer company – Debtor Vinesse, LLC – which specializes in boutique wine clubs. The acquisition grew the business segment to include 13 branded wine clubs, 11 of which are associated with specific tasting rooms. Outside of wine clubs, the e-commerce sales through brand websites accounted for a growing portion of the revenue for this segment. The Company's active email list includes 690,000 subscribers that generated 45 million impressions, or total number of emails delivered to unique inboxes, in 2023. Finally, the Company's 11 tasting rooms served 220,000 visitors during 2023, which generates business for other portions of the direct-to-consumer segment as well.

ii. Wholesale

15. The wholesale business segment made up approximately 31% of the Company's \$283.3 million net revenue in 2023. The Company has relationships with some of the largest distributors in the wine industry, including Republic National Distributing Company and Southern Glazer's Wine & Spirits. This allows the Company to sell their products in all 50 states and in 46 countries outside the United States. The Company's products are available at large retailers such as Costco, Kroger and Target, in addition to more than 20,000 restaurants. The Company also added ACE Cider, a hard cider brand that is a wholesale platform, through an acquisition in November 2021. Additionally, the Company acquired Meier's Wine Cellars in 2022, which specializes in custom blending, contract storage, contract manufacturing and private labeling for wine, beer and spirits. The Company's large capacity for wholesale makes their distribution partners invaluable and contributes to a sizable portion of their business.

iii. Business-to-Business

16. Finally, the Business-to-Business ("B2B") segment generated the largest portion of the Company's revenue in 2023, at roughly 40%. The B2B segment's portfolio is wide-ranging, including grape and bulk wine sales, storage services for third parties and long-term contracts with other wine and beverage alcohol industry participants. These contracts include services such as fermentation, barrel aging, winemaking, procurement of dry goods, bottling and cased goods storage. The B2B segment also offers white label production services for private label brands. The Meier Wine Cellar's acquisition also added to the B2B segment of the business, particularly due to the company's private labeling and contracting services.

Part II

The Debtors' Operational Challenges

17. At the same time the Company was going public, the COVID-19 pandemic created an increased demand for wine. At its peak, there was demand for 445 million cases per year from the U.S. wine industry, up from the average of 410 million cases per year. During this period of increased demand and, subsequent to going public, the Company acquired Kunde (in which the Company previously owned a minority interest), Vinesse Wines, The Sommelier Company, Ace Cider and Meier's Wine Cellars.

18. The buoyed demand for wine, however, did not last, and demand for wine decreased in the following two years, to a low of 377 million cases per year in 2023. The decreased demand resulted in a surplus of winegrape production in California vineyards, with 375,000 tons of winegrapes going unpicked. This led the State of California to order the corrective removal of thousands of acres of vineyards. Grape growers have torn out or burned acres of vineyards to avoid maintaining unprofitable idle land. The decrease in demand has

impacted mass-produced wine bottles priced below \$10 most significantly, while wine bottles priced higher have seen a slight uptick in demand. Therefore, smaller, premium wineries have fared better in the unpredictable business environment.

19. The series of acquisitions by the Company also presented unanticipated challenges. Unanticipated challenges in integrating acquired businesses, including maintaining overlapping and/or duplicative administrative departments, resulted in unexpected costs. At the same time, performance for acquired entities declined unexpectedly, and in fiscal year 2023, the Company logged non-cash impairment charges of \$139.1 million – nearly all of which was attributable to goodwill impairments tied to underwhelming performance by the Company's Wholesale and B2B segments. Between 2021 and 2023, the Company also had to write down more than \$38 million in inventory. Underpinning this lag in performance, the Company ultimately identified accounting errors, which led to a restatement of the Company's consolidated financial statements for the fiscal quarters ending September 30, 2022; December 31, 2022; and March 31, 2023. Each of these challenges put a strain on the Company's resources and liquidity, as it became more challenging to accurately forecast expected needs and revenues – just as sales across the wine industry declined.

20. As the wine industry experienced challenges and the Company struggled to maintain profitability as it grew, the price of VWE's Common Shares dropped rapidly. After hitting a high of around \$12 per share in the summer of 2021, the Common Shares are now trading below \$1 per share. On September 13, 2023, the Company received a letter from Nasdaq indicating that it was no longer in compliance with Nasdaq listing requirements, as the bid price of the Company's common stock had been below \$1 for the last 30 consecutive trading days. The Company is commencing the process to voluntarily delist the Common Shares and the

Warrants from Nasdaq and voluntarily deregister under Section 12(b) and 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company expects the delisting of the Common Shares and the Warrants to be effective on or about August 11, 2024, and intends to file a Form 15 with respect to deregistration of the Common Shares and Warrants on or about August 11, 2024.

21. Additionally, the Company did not meet certain debt covenants as required by the Prepetition Credit Agreement (defined below) in 2023. As a result, and as described more fully below, the Company entered into several forbearance agreements, the latest of which extends through July 25, 2024. But for these forbearance agreements, if the Company's debt were accelerated, it does not have sufficient cash to repay the outstanding debt.

22. In February 2023, Pat Roney stepped down as Chief Executive Officer of VWE. After a period led by Jon Moramarco, a member of VWE's board, as interim Chief Executive Officer, I was appointed to my current position in October 2023. Following his resignation as Chief Executive Officer, Pat Roney remained Executive Chairman of the Board.

23. In an effort to address declining demand and improve profitability, the Company took a number of operational steps. The Company introduced a five-point plan in 2023 to deliver profitability, generate cash and reduce debt – focusing on margin expansion, cost reduction, cash management, monetization of assets and growing revenue to achieve its objectives. The Company increased savings by reducing their workforce by 4%, resulting in an expected savings of \$6 million. In January 2024, the Company also introduced an organizational restructuring plan, intending to monetize assets and reduce non-core lower margin product and service offerings. The plan included a workforce reduction of 15%, resulting in expected annualized savings of \$7.1 million. The Company also shifted its focus to its more premium

portfolio, hoping to take advantage of the premiumization trend to upgrade into luxury wines, emphasizing its Bar Dog, B.R. Cohn, Cameron Hughes, Cherry Pie, Firesteed and Kunde brands. Despite the efforts of myself and the rest of the Company's management team, however, an unanticipated steep decrease in demand, surplus supply, labor shortages and supply-chain disruptions, combined with a spate of unanticipated integration costs and delays associated with business acquisitions, have created an operating environment in which the Company is unable to continue outside of chapter 11.

24. The Company also continues to defend itself against ongoing litigation. In November 2022, a purported class action lawsuit was filed against VWE and certain of the current and former members of the Company's management team, asserting purported causes of action under the Exchange Act and seeking an unspecified amount of damages and an award of attorney's fees. In February 2023, this purported class action was consolidated with a second purported class action, asserting substantially similar claims. In March 2024, the United States District Court for the District of Nevada dismissed the consolidated complaint with leave to amend, which the plaintiffs did by filing a further amended complaint in April 2024. In May 2024, the defendants filed a motion to dismiss the further amended complaint. The motion to dismiss is pending.

25. The Company is also party to additional litigation, generally relating to breach of contract claims, which carry aggregate asserted liabilities totaling at least seven figures.

26. Although the Company believes it will ultimately prevail in all pending litigation, defense costs continue to strain liquidity. In addition, litigation is inherently uncertain, and there remains risk that the Company may face liability arising from one or more pending actions.

Part III

The Debtors' Prepetition Marketing Efforts and Proposed Postpetition Sale Process

27. As part of its 2023 five-point plan, in 2023 the Company divested 992 acres for a total net cash proceeds of approximately \$19.7 million. That same year, the Company also sold The Sommelier Company and physical assets of its Tamarack Cellars production facility to further reduce costs.

28. The Company continued its efforts to monetize its assets prepetition, through the efforts of two outside investment bankers. In September 2023, the Company and Oppenheimer & Co. Inc., its investment banker at the time, commenced a marketing process to solicit interest in a transaction to either (i) sell all or the majority of the Company's assets or securities; (ii) privately place less than the majority of the Company's equity with a strategic partner or investor; and/or (iii) sell one or more of the Company's individual brands or assets. Those efforts were unsuccessful. Beginning in January 2024, the Company began focusing its efforts on monetizing specific brands and assets, initiating a sale process that would simplify its direct-to-consumer operations and wind down its B2B services to concentrate resources on certain "Super Premium+" estate wineries, including Girard, Kunde, BR Cohn, Laetitia and Firesteed, among others. The Company retained GLC Advisors & Co., LLC and GLC Securities, LLC (together, "GLC") in March 2024 to, among other things, Company evaluate strategic alternatives and negotiate with its lending group. GLC has focused on a marketing process geared toward (i) identifying and negotiating with potential stalking horse bidders; and (ii) soliciting potential bidders for either an in-court or out-of-court sale process. Quickly, however, it became apparent that the Company was unlikely to succeed in monetizing the majority of these assets through an out-of-court process, although it was able to close the sale of its Cosentino assets prepetition. As discussed in greater detail in the *Motion of the Debtors and Debtors in Possession for Entry*

of Orders (I)(A) Approving Bidding Procedures for the Sale of Substantially All of the Debtors' Assets, (B) Authorizing the Debtors to Enter into One or More Stalking Horse Agreements and to Provide Bidding Protections Thereunder, (C) Scheduling an Auction and Approving the Form and Manner of Notice Thereof, (D) Approving Assumption and Assignment Procedures, (E) Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof and (F) Granting Related Relief; and (II)(A) Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases and (C) Granting Related Relief (the "Bidding Procedures Motion") and the declarations filed in support thereof, the Company's sale efforts have continued up until the Petition Date and will continue during the pendency of these Chapter 11 Cases (as defined below).

Part IV

The Debtors' Current Capital Structure

A. Secured Obligations²

29. The Prepetition Credit Agreement: On December 13, 2022, certain of the Debtors³ entered into a Revolving Facility Agreement (as amended, modified and supplemented from time to time, the "Prepetition Credit Agreement" and, together with all related security and

² Other than with respect to the Prepetition Credit Agreement, the Debtors do not concede that any liens (contractual, common law, statutory or otherwise) described in this Declaration are valid, and the Debtors expressly reserve the right to contest the extent, validity, and perfection of all such liens, and/or to seek avoidance thereof.

³ Debtors Vintage Wine Estates, Inc. (CA); Girard Winery, LLC; Mildara Blass, Inc.; Grove Acquisition, LLC; Sabotage Wine Company, LLC; California Cider Co., Inc.; Thames America Trading Company Ltd.; and Vinesse, LLC are parties to the Prepetition Credit Agreement. In addition, two non-debtor affiliates, VWE Captive, LLC and Splinter Group Napa, LLC are also parties to the Prepetition Credit Agreement. Debtors Meier's Wine Cellars, Inc. and Meier's Wine Cellars Acquisition, LLC joined the Prepetition Credit Agreement in that certain Amendment Number One to Second Amended and Restated Loan and Security Agreement, dated as of February 13, 2023. Debtor Vintage Wine Estates, Inc. (NV) is Guarantor under the Prepetition Credit Agreement but is not a Borrower (as defined therein) thereunder.

other documents, guaranties and agreements, the "Prepetition Credit Documents") with BMO Bank N.A., as successor in interest to Bank of the West, as administrative agent (the "Prepetition Agent"), and certain lenders from time to time party thereto (the "Prepetition Lenders"),⁴ which provided up to \$458 million in a variety of secured credit lines to the Debtors:

(i) \$229,683,300.00 in revolver commitments (which contain a letter of credit sub-facility in the aggregate availability amount of \$20,000,000); (ii) \$156,487,500 in term loan commitments; (iii) \$4,181,948.89 in equipment loan commitments; (iv) \$15,166,133.54 in capital expenditure loan commitments; and (v) \$52,919,230.46 in delayed draw term loan commitments.

30. As of the Petition Date, the Debtors owed approximately \$310,000,000 under the Prepetition Credit Agreement, consisting of outstanding principal amounts plus accrued and unpaid interest, fees, expenses and all other obligations payable under the Prepetition Credit Documents (collectively, the "Prepetition Credit Obligations"). As more fully set forth in the Prepetition Credit Documents, prior to the Petition Date, the Debtors granted to the Prepetition Agent for the benefit of the Prepetition Lenders a security interest in and continuing lien on (the "Prepetition Lender Liens") all of their right, title and interest in substantially all of their assets (the "Prepetition Lender Collateral") to secure repayment of the Prepetition Credit Obligations.

31. The Prepetition Credit Agreement requires the Debtors to comply with, among other things, certain payment schedules (including certain prepayment obligations); certain financial covenants, including covenants to maintain a minimum fixed charge coverage ratio and maximum debt to capitalization ratio; and certain provisions regarding financial reporting.

⁴ The Prepetition Lenders are also the proposed DIP Lenders (as defined in the DIP Financing Motion (defined below)) under the proposed DIP Financing Agreement (as defined in the DIP Financing Motion), as described more fully in the DIP Financing Motion.

32. Between February 2023 and October 2023, at the Debtors' request, the parties agreed to a total of four amendments to the Prepetition Credit Agreement to adjust the aforementioned covenants, provide the Debtors with additional liquidity to continue efforts to restructure their businesses and provide additional time in which the Debtors were to provide certain financial reporting to the Prepetition Agent and the Prepetition Lenders. Specifically, in February 2023, the Debtors entered into Amendment No. 1 to the Prepetition Credit Agreement pursuant to which, among other things, the parties amended the timing for the delivery of certain financial statements to the Prepetition Agent and Prepetition Lenders by the Debtors. In March 2023, the Debtors entered into Amendment No. 2 to the Prepetition Credit Agreement pursuant to which, among other things, the parties further amended the timing for the delivery of financial statements. In May 2023, the Debtors entered into Amendment No. 3 to the Prepetition Credit Agreement pursuant to which, among other things, the parties amended certain financial covenants and related metrics in the Prepetition Credit Agreement. In October 2023, the Debtors entered into Amendment No. 4 to the Prepetition Credit Agreement, which, among other things, provided that: (i) the Prepetition Agent and Prepetition Lenders waived certain Existing Events of Default (as defined therein) relating to the Debtors' failure to comply with certain of the financial covenants and financial reporting requirements set forth in the Prepetition Credit Agreement for prior fiscal periods; (ii) the aggregate revolving commitment and the aggregate delayed draw term loan commitment were reduced to \$200,000,000 and \$38,100,000, respectively; (iii) certain financial covenants would be added, suspended or modified; (iv) the Debtors were required to make additional mandatory prepayments in accordance with the schedule set forth in Amendment No. 4; and (v) certain additional reporting requirements to the Prepetition Agent and the Prepetition Lenders were added.

33. After additional good faith negotiations, and to allow the Debtors to continue their restructuring efforts, beginning in February 2024, the Debtors, the Prepetition Agent and the required number of Prepetition Lenders pursuant to the Prepetition Credit Agreement entered into multiple forbearance agreements (collectively, the "Forbearance Agreements"). Pursuant to the Forbearance Agreements, (i) the Prepetition Lenders (a) waived various breaches of the Prepetition Credit Agreement by the Debtors, including the failure to maintain a proper adjusted EBITDA level for two fiscal quarters, failure to deliver unaudited balance sheets and financial statements as required pursuant to the Prepetition Credit Agreement and failure to provide a compliance certificate as required pursuant to the Prepetition Credit Agreement; (b) further reduced the revolving commitment under the Prepetition Credit Agreement from \$200 million to \$180 million; (c) agreed not to enforce certain rights and remedies available to the Prepetition Lenders under the Prepetition Credit Agreement; (d) agreed to adjust the applicable interest rates for the Forbearance Period (as defined therein); and (e) agreed to extend the due dates for certain mandatory prepayments; and (ii) the Debtors agreed to (a) pay certain fees to the Prepetition Agent and the Prepetition Lenders, (b) comply with certain specified milestones with respect to business planning during the Forbearance Period, and (c) execute certain deposit account control agreements as requested by the Prepetition Lenders.

34. The most recent Forbearance Agreement is set to expire on July 25, 2024. On July 18, 2024, at the Debtors' request, the parties entered into a Amendment No. 5 to the Prepetition Credit Agreement in order to, among other things, allow the Prepetition Lenders to fund an advance loan up to an aggregate amount of \$7,500,000 notwithstanding the Designated Defaults (as defined in the Forbearance Agreements). In light of the Debtors' rapidly diminishing liquidity and in order to provide sufficient funding for the Debtors to complete the

necessary preparation to commence these Cases, on July 18, 2024, at the Debtors' request, the parties entered into a Amendment No. 5 to the Prepetition Credit Agreement in order to, among other things, allow the Prepetition Lenders to fund an advance loan up to an aggregate amount of \$7,500,000 (the "Overadvance") notwithstanding the Designated Defaults (as defined in the Forbearance Agreements). The Debtors borrowed the full amount of the Overadvance on July 19, 2024.

35. The Grape Purchase Agreement: On March 2, 2020, Debtor Vintage Wine Estates, Inc. entered into a grape purchase agreement (as amended, modified and supplemented from time to time, the "Prepetition Grape Purchase Agreement") with Gallo Vineyards, Inc. and E. & J. Gallo Winery (together, "Gallo"). Pursuant to the Prepetition Grape Purchase Agreement, Vintage Wine Estates, Inc. granted Gallo a "security interest, pursuant to the California Uniform Commercial Code, in and to all grapes sold [under the Prepetition Grape Purchase Agreement] and resulting wine in bond [the "Gallo Collateral"], all proceeds of insurance policies covering any of said [Gallo Collateral] and all proceeds of said [Gallo Collateral] in any form, as security for the payment of all invoices" from Debtor Vintage Wine Estates, Inc. To reflect the grant of the security interest, on April 21, 2021, Gallo filed a UCC-1 financing statement with the California Secretary of State.

36. PACA and Similar State Law Liens: In addition to contractual liens against the Debtors, the Debtors believe that certain products they have purchased but not yet paid for, including grapes used in their wine production business, may qualify as "perishable agricultural commodities" under the Perishable Agricultural Commodities Act of 1930, as amended, 7 U.S.C. §§ 499a et seq. ("PACA" and such liens under PACA, the "PACA Liens").

37. The Debtors purchase certain goods, including grapes, from suppliers that may be entitled to the foregoing protections under PACA ("PACA Claimants"). However, as discussed in greater detail in the Critical Vendors Motion (defined below), I understand that not every claim held by a creditor that supplied perishable agricultural commodities may be entitled to the protection of PACA and certain procedural steps must be taken by a seller in order to preserve its rights as a PACA trust beneficiary. I understand that PACA Claimants are entitled to prompt payment ahead of secured and unsecured creditors of a debtor's estate. As of the Petition Date, the Debtors believe that PACA Claimants may be entitled to approximately \$750,000 in PACA trust assets.

38. In addition, the Debtors source fresh grapes from various growers and producers from, among other states, California, Oregon, New York and Washington. I understand that each of these states have statutory regimes that protect such growers and producers by permitting them to assert first-priority liens over the grapes sold by them to a purchaser/processor such as the Company (such liens, the "State-Law Producer Liens"). I understand that these liens can extend to the proceeds derived from the agricultural produce, the purchaser's/processor's inventory and accounts receivable. I also understand that, like the PACA Liens, a claimant generally must take affirmative steps in order to earn protection of the State-Law Producer Liens. As of the Petition Date, the Debtors are not aware of any pending State-Law Producer Liens.

B. Trade Debt

39. As of the Petition Date, the Company had approximately \$25.4 million in trade debt outstanding.

C. Capital Lease Obligations

40. As of the Petition Date, the Debtors had approximately \$15.5 million in outstanding capital lease obligations. These leases cover certain real estate, buildings and equipment.

D. Capital Stock

41. As of December 31, 2023, VWE had 200 million Common Shares authorized, 62.8 million Common Shares issued and 59.9 million Common Shares outstanding. 2.9 million Common Shares were held as treasury stock. At December 31, 2023, there were 25,646,453 Warrants outstanding to purchase shares of the Company's common stock at a price of \$11.50 per whole share. Also as of December 31, 2023, VWE had 2.0 million preferred shares, without par value, authorized but none issued.

Part V

First Day Motions⁵

42. Concurrently with the filing of their chapter 11 cases (the "Chapter 11 Cases"), the Debtors filed the First Day Motions, requesting various forms of relief. The Debtors anticipate that the Court will conduct a hearing soon after the Petition Date at which it will hear and consider many of the First Day Motions on an interim or final basis.

43. Generally, the First Day Motions have been designed to meet the goals of (a) preserving and protecting the Debtors' chapter 11 estates, including by paying certain claims of vendors and employees, (b) obtaining necessary debtor in possession financing to immediately provide the Debtors' estates with sufficient liquidity to operate and stabilize their and their non-

⁵ The descriptions of the relief requested in the First Day Motions are for summary purposes. Where there is ambiguity between the descriptions of the relief requested in the First Day Motions and the descriptions included in this Declaration, the First Day Motions shall control.

debtor affiliates' businesses and (c) establishing procedures for the smooth and efficient functioning of the Debtors' estates. I believe that the relief sought in each of the First Day Motions is tailored to meet the goals described above and, ultimately, will be critical to the Debtors' ability to monetize assets successfully.

44. The First Day Motions include:

- a. *Motion of the Debtors and Debtors in Possession for an Order Directing the Joint Administration of Their Chapter 11 Cases* (the "Joint Administration Motion");
- b. *Motion of the Debtors and Debtors in Possession for Entry of an Order (I) Approving Master Service List, (II) Approving the Form, Manner and Proposed Service of the Notice of Commencement of the Debtors' Chapter 11 Cases, (III) Modifying the Requirements to File Equity List and Provide Notice to Equity Security Holders, (IV) Approving the Redaction of Certain Personally Identifiable Information for Individual Creditors and Interest Holders and (V) Approving the Proposed Electronic Noticing Procedures* (the "Noticing Motion");
- c. *Application of Debtors and Debtors in Possession for Entry of an Order (I) Approving the Retention and Appointment of Epiq Corporate Restructuring, LLC as the Claims and Noticing Agent to the Debtors, Effective as of the Petition Date and (II) Granting Related Relief* (the "Application to Appoint Epiq As Claims and Noticing Agent");
- d. *Motion of the Debtors and Debtors in Possession for Interim and Final Orders (I) Establishing Notice and Objection Procedures for Transfers of Equity Securities and (II) Establishing a Record Date for Notice and Sell-Down Procedures for Trading in Claims Against the Debtors' Estates* (the "NOL Motion");
- e. *Motion of the Debtors and Debtors in Possession for Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Employee Wages, Benefits and Related Items and (II) Granting Certain Related Relief* (the "Employee Wages and Benefits Motion");
- f. *Motion of the Debtors and Debtors in Possession for Interim and Final Orders Authorizing Them to Pay Certain Prepetition Taxes and Fees* (the "Taxes Motion");
- g. *Motion of the Debtors and Debtors in Possession for Entry of Interim and Final Orders (I) Authorizing (A) the Debtors to Continue their Customer Programs*

- and (B) Financial Institutions to Honor and Process Related Checks and Transfers and (II) Granting Related Relief (the "Customer Programs Motion")*;
- h. *Motion of the Debtors and Debtors in Possession for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Claims of (A) Certain Critical Vendors, Lien Claimants, 503(b)(9) Claimants and (B) PACA Claimants; and (II) Granting Related Relief (the "Critical Vendors Motion")*;
 - i. *Motion of the Debtors and Debtors in Possession for Interim and Final Orders (I) Authorizing the Debtors to (A) Continue Their Insurance and Surety Bond Programs and (B) Satisfy Related Obligations; (C) Obtain, Renew, Amend, Supplement, Modify, Extend, Purchase and/or Replace Insurance Policies and/or Surety Bonds; (D) Continue to Pay Brokerage and Administrative Fees and (E) Satisfy Related Obligations; and (II) Granting Related Relief (the "Insurance Motion")*;
 - j. *Motion of the Debtors and Debtors in Possession for Interim and Final Orders (I) Establishing Adequate Assurance Procedures with Respect to Their Utility Providers and (II) Granting Related Relief (the "Utilities Motion")*;
 - k. *Motion of the Debtors and Debtors in Possession for Entry of Interim and Final Orders (I) Approving the Continued Use of the Debtors' Cash Management System, (II) Extending Time to Comply with Requirements of 11 U.S.C. § 345(b) and (III) Granting Related Relief (the "Cash Management Motion")*;
 - l. *Omnibus Motion of the Debtors and Debtors in Possession for an Order (I) Authorizing the Debtors to Reject Certain Executory Contracts Nunc Pro Tunc the Petition Date and (II) Granting Certain Related Relief (the "Rejection Motion")*; and
 - m. *Motion of the Debtors and Debtors in Possession Pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d), 364(e), 503, 507 and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6004 and 9014 and Local Rules 2002-1, 4001-2 and 9013-1 for Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing and (VII) Granting Related Relief (the "DIP Financing Motion").*⁶

⁶ The DIP Financing Motion is the subject of separate declarations in support thereof and, as a result, is not summarized herein.

A. Administrative Pleadings

i. The Joint Administration Motion

45. As described above, the Debtors include VWE and 11 of its direct or indirect subsidiaries. Accordingly, the Debtors will present a motion requesting the entry of an order pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), directing: (i) the joint administration of the Debtors' Chapter 11 Cases for procedural purposes only; (ii) parties in interest to use a consolidated caption, indicating that any pleading they file relates to the jointly administered bankruptcy cases of "Meier's Wine Cellars Acquisition, LLC, et al."; and (iii) that a notation be made on the docket in all the Chapter 11 Cases (other than the Chapter 11 Case of Debtor Meier's Wine Cellars Acquisition, LLC), maintained by the Clerk of the Court, substantially as follows:

An order has been entered in this case directing the procedural consolidation and joint administration of the chapter 11 cases of Meier's Wine Cellars Acquisition, LLC, California Cider Co., Inc., Girard Winery LLC, Grove Acquisition, LLC, Meier's Wine Cellars, Inc., Mildara Blass Inc., Sabotage Wine Company, LLC, Thames America Trading Company Ltd., Vinesse, LLC, Vintage Wine Estates, Inc. (CA), Vintage Wine Estates, Inc. (NV). The docket of Meier's Wine Cellars Acquisition, LLC, Case No. 24-____ (____), should be consulted for all matters affecting this case.

46. I believe that the joint administration of the Debtors' respective estates is warranted and will ease the administrative burden for the Court, the Office of the Clerk of the Court, the Office of the United States Trustee for the District of Delaware and parties in interest. Joint administration will eliminate the need for duplicative notices, applications, motions, hearings and orders, which will permit the Debtors and their professionals to avoid the time and expense that would otherwise be necessary to administer individual cases separately. Because

the Joint Administration Motion requests only administrative, and not substantive, consolidation of the Debtors' cases, creditors' rights will not be adversely affected.

ii. The Noticing Motion

47. The Debtors seek entry of an order (i) approving the Debtors' master service list (the "Master Service List"), (ii) approving the form and manner of the notice of commencement of the Debtors' chapter 11 cases and of the meeting of creditors to be held pursuant to section 341 of the Bankruptcy Code (the "Case Commencement Notice"), (iii) modifying the requirements to file equity list and provide notice to equity security holders, (iv) authorizing the Debtors to redact certain personally identifiable information for the Debtors' individual creditors and interest holders and (v) approving the proposed electronic noticing procedures.

48. I believe it is appropriate for the Court to approve the Master Service List and procedures for its maintenance and service in these Chapter 11 Cases. I understand that the Master Service List includes the mailing address information (and email address, if available) for, among others:

- (a) the Debtors and their counsel;
- (b) the U.S. Trustee for the District of Delaware;
- (c) those creditors holding the 30 largest unsecured claims against the Debtors' estates on a consolidated basis;
- (d) the Internal Revenue Service;
- (e) the Securities and Exchange Commission; and
- (f) counsel to the Debtors' proposed DIP Agent and DIP Lenders.

49. I also understand that the Master Service List will be maintained and updated monthly throughout these Chapter 11 Cases, and that it will be accessible to the public.

50. I further believe it is appropriate for the Court to approve the form and manner of the Case Commencement Notice, which includes notice of the Section 341 Meeting, as well as procedures for serving the Case Commencement Notice. I understand that the Case Commencement Notice is in compliance with applicable requirements, and believe that the procedures for its service are adequate for providing notice to the Debtors' stakeholders.

51. I believe it is appropriate for the Court to approve a modification of VWE's obligation to file its list of equity security holders. VWE's common stock is publicly traded on the Nasdaq Stock Exchange, with approximately 59.9 million outstanding shares of common stock as of the Petition Date, and cannot readily be traced to specific individual holders. VWE only maintains a list of its registered equity security holders and therefore must obtain the names and addresses of its beneficial shareholders from a securities agent. Preparing and submitting such a list with last known addresses for each equity security holder and sending notices to all such parties will create expense and administrative burden with limited corresponding benefit to the estates or parties in interest.

52. I further believe it is appropriate for the Court to approve the redaction of personally identifiable information for individuals listed on the Debtors' creditor list, including, but not limited to, the name and address of any individual, including any of the Debtors' employees, contract workers, debtholders and equity security holders, because such information can be used to perpetrate identity theft or to locate survivors of domestic violence, harassment or stalking.

53. Finally, I believe it is appropriate for the Court to approve the proposed electronic noticing procedures. Because the Debtors operate an e-commerce platform, many of their customers only have email addresses available for noticing (the "Customers"). For those

customers who have physical mailing addresses available, the cost of providing notice by mail to the potentially tens of thousands of past customers would be astronomical and to the detriment of the Debtors' estates and stakeholders. I therefore believe it is appropriate for the Court to approve the following electronic noticing procedures:

- The Debtors will serve the Case Commencement Notice via electronic mail on any Customer with an account that has at least one valid email address on file in the Debtors' books and records; provided that the Debtors will serve the Case Commencement Notice on any Customer that the Debtors reasonably believe to be a creditor by first-class mail directed to the last known physical address of the Customer, if available.
- To the extent the Debtors do not have an email address on file for a Customer, or to the extent the Debtors receive a "bounce-back" or similar error message in response to the electronic service of the Case Commencement Notice, the Debtors will serve the Case Commencement Notice via first-class mail directed to the last known physical address, if available, maintained in their books and records for such Customer.
- The Debtors will include with the Case Commencement Notice: (a) information for accessing the Case Website, where the recipient can obtain additional information about these cases; and (b) instructions indicating that all future notices will be provided to the recipient by email, if available, unless the recipient designates, either in writing or via the Case Website, that it wishes to receive physical notices in connection with the Chapter 11 Cases. Customers who do not have an email address on file or who previously elected to receive physical notices will also be given an opportunity to provide a current email address and to elect to receive electronic service in connection with these Chapter 11 Cases.

iv. The Application to Appoint Epiq as Claims and Noticing Agent

54. The Debtors recognize that the large number of creditors and other parties in interest involved in these Chapter 11 Cases may impose heavy administrative and other burdens upon the Court and the Clerk's Office. To relieve the Court and the Clerk's Office of these burdens, the Debtors will seek the entry of an order (a) appointing Epiq Corporate Restructuring, LLC ("Epiq") as the Debtors' noticing and claims agent in these Chapter 11 Cases and (b) approving the terms of Epiq's employment and retention. Epiq may, among other things:

(x) prepare and serve all notices required in the Debtors' Chapter 11 Cases, including notice of the commencement of these Chapter 11 Cases; (y) maintain a copy of the claims register; and (z) assist with the mailing and tabulation of ballots in connection with any vote to accept or reject any plan or plans proposed in these Chapter 11 Cases.

55. The Debtors obtained and reviewed engagement proposals from three claims and noticing agents, including Epiq, to ensure that the claims agent selection was made through a competitive process. The Debtors submit, based on all engagement proposals obtained and reviewed, that Epiq's rates are competitive and reasonable given Epiq's quality of services and expertise. Epiq employs leading industry professionals with significant experiences in overseeing administrative aspects of large, complex chapter 11 cases, such as these Chapter 11 Cases. Epiq's professionals have experience in noticing, claims administration, solicitation, balloting and facilitating other administrative aspects of chapter 11 cases and experience in matters of this size and complexity. Epiq and its professionals have acted as official claims and noticing agent and/or administrative advisor in many large bankruptcy cases, both in this district and other districts nationwide. I believe that Epiq is well qualified to perform the services contemplated in its retention application.

vi. The NOL Motion

56. The Debtors have valuable tax attributes, including carryforwards of disallowed business interest deductions and carryforwards of foreign tax credits and state and local net operating losses that collectively, as of the Petition Date, were available to offset up to \$128.4 million in federal liability and \$134.8 million in state tax liability and the Debtors expect to generate additional tax losses during the course of these Chapter 11 Cases. The Debtors also have other beneficial federal and state tax attributes, including carryforwards of disallowed

business interest expense and research and development credits (collectively, the "NOLs"). These NOLs could translate into future reductions of the Debtors' income tax liabilities.

57. The Debtors may lose the ability to use their NOLs if they experience an "ownership change" for federal income tax purposes. To prevent this potential loss of property of the Debtors' estates and to preserve to the fullest extent possible the flexibility to craft a plan of reorganization that maximizes the use of their NOLs, the Debtors seek the entry of an order: (a) establishing notice and objection procedures that must be satisfied before certain transfers of beneficial interests or declarations of worthlessness in equity securities in VWE are deemed effective; (b) establishing a record date for notice and potential sell-down procedures for trading in claims against the Debtors; and (c) granting related relief. The relief sought will enable the Debtors to closely monitor certain transfers of equity securities, and thereby put the Debtors in a position to act quickly to prevent or to limit such transfers if necessary to preserve their NOLs. Additionally, establishing a record date with respect to trading in claims against the Debtors will ensure that claimholders receive sufficient notice that any claims purchased after such date may ultimately be subject to certain sell-down procedures in the event an order approving such procedures is sought by the Debtors and entered by the Court to preserve the Debtors' ability to use their NOLs.

B. Pleadings Regarding Business Operations of the Debtors

i. The Employee Wages and Benefits Motion

58. As of the Petition Date, the Company employs approximately 430 full-time and part-time employees. There are no unionized Company employees. In addition, the Debtors from time to time rely on short-term services from individuals employed through third-party employing and staffing agencies to supplement their workforce as needed that perform a variety

of services, including, among others, order processing, staffing of events, fulfillment services and administrative work. Though the number of workers provided through staffing agencies fluctuates, currently the Debtors utilize approximately 28-49 workers on an as-needed basis.

59. The continued and uninterrupted support of the Company's employees and workers provided through the staffing agencies is essential to the success of these Chapter 11 Cases. The employees and staffing agency workers perform a variety of functions critical to the Debtors' day-to-day operations. Moreover, the employees' and staffing agency workers' skills, specialized knowledge and understanding of the Company's operations, as well as their relationships with customers, vendors and other third parties, are essential to the Company's businesses. Accordingly, the Debtors have filed the Employee Wages and Benefits Motion to enable them to continue to pay and provide benefits to its employees in the ordinary course of business⁷ and pay amounts owing to the Debtors' staffing agencies.

60. As of the Petition Date, many employees of the Debtors were owed or had accrued various sums for wages, salaries, commissions, non-insider incentive compensation, contractual compensation and other accrued compensation, employee benefits, including workers' compensation, reimbursable business expenses and payroll deductions. I believe that, without the requested relief, Debtors' relationships with their Employees would be immediately impaired and the irreparable harm to workforce morale sure to attend any delay or disruption in the wages, commissions and benefits provided to Employees – at the very time when the

⁷ The Debtors rely on the services of Paycom to efficiently manage the Debtors' payroll-related administrative functions, including the processing and payment of employee wages and salaries, deductions, and withholdings. Payment of amounts owing to Paycom will allow the Debtors to realize substantial cost savings with respect to the administration of their payroll and benefit programs by not having to employ additional human resources professionals. In addition to saving costs, Paycom assists the Debtors with labor and tax regulatory compliances. By the Employee Wages and Benefits Motion, the Debtors seek authority to pay the amounts owing to Paycom as of the Petition Date and to continue to pay Paycom in the ordinary course of business and in their sole discretion.

dedication, confidence and cooperation of those Employees is most critical – would clearly imperil the Debtors' chances of consummating a successful going-concern transaction. Such a development would adversely impact the Debtors' workforce, hindering the Debtors' operations and their ability to maximize value for stakeholders. The loss of valuable employees and the resulting need to recruit new personnel to replenish the Debtors' workforce would be distracting and counterproductive at this critical time.

61. By the Employee Wages and Benefits Motion, the Debtors also seek approval, upon entry of a final order, of the continuation of a non-insider key employee retention plan (the "Non-Insider Retention Bonus Program"). Prior to the Petition Date, on May 23, 2024, the Debtors approved the Non-Insider Retention Bonus Program to retain 25 non-insider employees whom the Debtors determined were vital to brand identity, sales momentum, the restructuring process or preserving critical capabilities. The Debtors designed the Non-Insider Retention Bonus Program to retain these key employees (as well as additional employees that may be enrolled) for a smooth transition into chapter 11 and to maintain the Debtors' operations in a manner that will maximize the value received from the sale of their assets.

62. Under the Non-Insider Retention Bonus Program, bonuses are to be paid upon the occurrence of any of the following milestones: (i) 60 days after the transfer of a participant's employment in connection with a divestiture; (ii) involuntary termination without cause; (iii) consummation of a plan of reorganization in these Chapter 11 Cases; (iv) June 30, 2025, or (v) death or permanent and total disability. A participating employee that resigns or is terminated for cause prior to any vesting will not be eligible to receive any payments under the Non-Insider Retention Bonus Program and their bonus will be allocated amongst the remaining participants or allocated to new participants. The total budget for the Non-Insider Retention

Bonus Program is approximately \$902,000, of which roughly \$752,000 is allocated amongst the participating 25 non-insider employees. The remaining \$150,000 functions as a reserve for additional non-insider employee participants that may be enrolled during these Chapter 11 Cases. I believe that the Non-Insider Retention Program is reasonable and its continuation necessary to retain participating non-insider employees that are critical to the Debtors' efforts during the sale process to maintain and maximize the value of their efforts for the benefit of all stakeholders.

63. Lastly, by the Employee Wages and Benefits Motion the Debtors seek authority, but not direction, to pay obligations (the "Non-Insider Severance Obligations") arising out of employment agreements with two current non-insider salaried Employees. The Non-Insider Severance Obligations, if triggered, would be paid in accordance with the Debtors' regular bi-weekly payroll schedule. As of the Petition Date, the Debtors estimate that they have approximately \$110,000 of Non-Insider Severance Obligations that would become due in the event of the two Employees' terminations.

64. The Debtors believe that honoring the Non-Insider Severance Obligations postpetition is an ordinary course transaction that does not require Court approval. Out of an abundance of caution, however, the Debtors seek authority, but not direction, upon entry of a final order, to pay the Non-Insider Severance Obligations, if triggered, to the two eligible non-insider Employees in the ordinary course of business.

65. Under the circumstances, the Debtors must do their utmost to retain their workforce by, among other things, continuing to honor all wage, benefit and related obligations, other employee obligations that accrued prepetition, the Non-Insider Retention Bonus Program and the Non-Insider Severance Obligations. In addition, bolstering the morale of the Debtors' employees and ensuring their uninterrupted availability will (i) maintain the "business as usual"

atmosphere needed to continue high quality production, (ii) preserve the Debtors' relationships with vendors and, crucially, customers, as the Debtors' employees act as the Debtors' "face to the world" and (iii) enable the Debtors to maximize the value of their assets in connection with the postpetition sale process.

66. The Debtors seek to minimize the negative impacts of these Chapter 11 Cases on their employees that would result if prepetition employee obligations are not paid when due. The Debtors, therefore, seek authority to pay and honor certain claims and obligations (i) accruing prepetition in an aggregate amount not to exceed \$3,380,000 on an interim basis and \$3,380,000 on a final basis and (ii) on a postpetition basis in the ordinary course of business.

67. For these reasons, among others, I believe (i) the payment of certain prepetition (a) wage and benefit obligations, (b) obligations owing to staffing agencies and the Debtors' payroll processor and (ii) the continuation of certain employee-related programs and benefits on a postpetition basis as set forth in the Employee Wages and Benefits Motion to be essential to the Debtors' efforts to maximize value for their stakeholders in these Chapter 11 Cases.

ii. The Taxes Motion

68. The Debtors, in the ordinary course of their businesses, incur various tax and other liabilities to governmental entities, taxing authorities and brokers (collectively, the "Taxing Authorities"), including, among others: (i) sales and use taxes; (ii) regulatory and licensing taxes and fees; (iii) foreign taxes and fees; (iv) property taxes; and (iv) certain other miscellaneous taxes, assessments and fees (collectively, the "Prepetition Taxes"). The Debtors also incur various customs duties, fees for business licenses and permits and various other fees and assessments (collectively, the "Prepetition Fees," and together with the Prepetition Taxes, the "Prepetition Taxes and Fees"), in connection with the operation of their businesses, including

any necessary regulatory expenses, fees, permits and approvals. The Debtors pay Prepetition Taxes and Fees in approximately 47 states on a biennial, annual, quarterly, bi-monthly, monthly and as-needed basis, depending on the jurisdiction and type of tax or fee being paid.

69. The Debtors believe that they have ample business justifications to pay the Prepetition Taxes and Fees. It is my understanding that: (i) certain of the Prepetition Taxes and Fees do not constitute property of the Debtors' chapter 11 estates; (ii) certain of the Prepetition Taxes and Fees constitute priority claims that are unavailable as a source of recoveries for general unsecured creditors in any liquidation scenario; and (iii) the failure to pay certain of the Prepetition Taxes and Fees may impact the Debtors' ability to conduct business in certain jurisdictions, result in the attachment of liens or cause the Debtors' directors and responsible officers to face personal liability. Stated simply, absent payment of the amounts requested herein, the Debtors may face serious disruptions and distractions as they seek to administer these Chapter 11 Cases. Therefore, to prevent immediate and irreparable harm that would result from such disruptions and distractions, the Debtors seek authority to pay these claims.

70. The Debtors' payment of the Prepetition Taxes and Fees is necessary to forestall the obstacles to the smooth functioning of the Debtors' business operations that likely would result from a failure to make necessary payments. Accordingly, the Debtors seek authorization to pay the Prepetition Taxes and Fees in an aggregate amount not to exceed \$1,315,000 on an interim basis and \$2,705,000 on a final basis.

ii. The Customer Programs Motion

71. By the Customer Programs Motion the Debtors seek to authorization to (a) maintain certain programs (the "Customer Programs") (as described below) and (b) honor or

pay certain prepetition obligations related to the Customer Programs (collectively, the "Customer Obligations") as necessary to preserve the value of the Debtors' estates and going concern value.

72. The Debtors, in the ordinary course of their businesses, provide various products and services to customers under three primary operating segments, wholesale, business-to-business and direct-to-consumer. In connection with providing these products and services, the Debtors engage in certain marketing and sales practices that are, among other things, (a) targeted to develop and sustain a positive reputation for their products and services in the marketplace and (b) designed to attract new customers and to enhance loyalty and sales among the Debtors' existing customer base. Failure to maintain the Customer Programs could lead to the termination of the Debtors' relationship with certain customers, which would be counter-productive to the goals of these Chapter 11 Cases. Generally, Customer Programs include: wholesaler service fees, product returns, coupons, gift cards and reward programs. The Customer Programs are typical and common for companies in the wine and cider-making industries and allow the Debtors to remain competitive. To the extent any of the Debtors' Customer Programs promote the Debtors' businesses in a value-maximizing manner, the Debtors' may seek, in their sole discretion, authority to continue such Customer Programs as are essential to the operations of the Debtors' businesses. Failing to live up to their commitments may weaken or break the Debtors' customer relationships, which would harm enterprise value, defeat the goals of these Chapter 11 Cases and impair the Debtors' ability to maximize the value of their estates.

iv. The Critical Vendors Motion

73. In the ordinary course of business, the Debtors engage vendors and suppliers (the "Critical Vendors") to provide various goods and services essential to the production, storage, labeling and distribution of their products and the administration of their business

operations. The Debtors also believe that certain goods they have purchased but not yet paid for may qualify as "perishable agricultural commodities" under PACA. PACA provides various protections to fresh fruit and vegetable sellers, including the establishment of a statutory constructive trust consisting of a buyer's entire inventory of food or other derivatives of perishable agricultural commodities, the products derived therefrom and the proceeds related to any sale of the commodities or products. The Debtors believe that many of their suppliers potentially are PACA Claimants.

74. A substantial portion of the claims held by Critical Vendors (the "Critical Vendor Claims") are general unsecured claims; however, certain of the Critical Vendor Claims as well as certain claims held by PACA Claimants (the "PACA Claims") may be entitled to priority under section 503(b)(9) of the Bankruptcy Code (the "503(b)(9) Claims"). Moreover, the Debtors routinely transact with a number of third parties who may assert various liens (the "Lien Claims"), including, mechanics', agriculture producers', warehouseman and shippers' liens, against the Debtors' property if the Debtors fail to pay amounts owed for goods and/or services provided by such third parties.

75. The following table summarizes the claims that the Debtors are seeking to pay upon entry of the orders granting the Critical Vendor Motion:

Claim Category	Estimated Interim Amount	Estimated Final Amount
Critical Vendor Claims	\$1,050,000	\$2,460,000
Lien Claims	\$200,000	\$620,000
PACA Claims	\$375,000	\$745,000
503(b)(9) Claims	\$700,000	\$1,400,000

Claim Category	Estimated Interim Amount	Estimated Final Amount
Total Claims	\$2,325,000	\$5,225,000

76. The loss of one or more of the Vendors or PACA Claimants, or a delay or inability to secure an alternative source of their goods and services could have a material negative impact on the Debtors revenue, business operations, and financial condition. To preserve the value of their businesses for the benefit of all stakeholders, the Debtors need to be able to assure their customers, vendors, services providers and employees that, notwithstanding the filing of these Chapter 11 Cases, they will continue to operate in the ordinary course of business.

77. Accordingly, I believe that the payment of the Critical Vendor Claims, Lien Claims, PACA Claims and 503(b)(9) Claims in the ordinary course is necessary for the Debtors' successful administration of these Chapter 11 Cases and is warranted based on the facts and circumstances of these Chapter 11 Cases.

v. The Insurance Motion⁸

78. Through the Insurance Motion, the Debtors seek entry of an order: (i) authorizing, but not directing, the Debtors, in their sole discretion, to (a) continue their Insurance Policies and Surety Bond Program and (b) satisfy (1) any insurance premiums (including amounts owed under the Debtors' premium financing agreements and to the Group Captive), (2) Insurance Deductibles, (3) premiums for the Surety Bonds and (4) any other related payments, fees and obligations under the Insurance Policies and Surety Bond Program, including those that were

⁸ Capitalized terms otherwise undefined in the subsection shall have the meanings ascribed to them in the Insurance Motion.

incurred or accrued prepetition; (c) obtain, renew, amend, supplement, modify, extend, purchase and/or replace the Insurance Policies and Surety Bonds in the ordinary course of business on a postpetition basis; (d) continue to pay fees to the Insurance Brokers, Surety Broker and Group Captive Administrative Fees and (e) satisfy any prepetition obligations related thereto; and (ii) granting certain related relief.

79. On September 9, 2021, Debtor Vintage Wine Estates, Inc. (CA) ("VWE – CA") formed VWE Captive, LLC, a wholly-owned captive insurance company ("VWE Captive"), which became operational on October 1, 2021. VWE Captive is funded with premiums paid by VWE-CA. VWE-CA pays VWE Captive insurance premiums monthly through the 2023 Premium Finance Agreement and quarterly through their Insurance Broker. VWE Captive then uses those premiums to pay insured claims and expenses and operating expenses of VWE Captive. The VWE Captive Policies insure (a) the first \$10.0 million (by occurrence and in aggregate) of claims, relating to earthquakes, floods and named wildfires and windstorms, with Starr Surplus Lines Insurance Company as the fronting policy and (b) from 2022 to 2023, the first \$5.0 million of claims by occurrence and in aggregate relating to claims against the Debtors' directors and officers.

80. The Debtors also maintain numerous insurance policies in Debtor VWE – CA's name with third-party insurers that provide excess coverage for the coverage provided by the VWE Captive Policies and primary insurance coverage for, among other things, property, crop,⁹ cyber liability, equipment breakdown and ocean cargo insurance (collectively, the "Third-Party Insurance Policies") and, together with the VWE Captive Policies, the "Insurance Policies").

⁹ The Debtors purchase crop insurance in August to cover the harvest period of September to January of the following year.

81. In the ordinary course of the Debtors' businesses, the Debtors finance certain premiums owed under the Debtors' insurance policies and excess coverage policies pursuant to two premium finance agreements in Debtor VWE – CA's name with First Insurance Funding, a Wintrust Company. The Debtors pay the Premium Finance Agreements in installments.

82. Other than the premiums financed through the Premium Finance Agreements, the Debtors pay their Insurance Premiums on differing timelines (e.g., at binding, billed in advance or on a monthly or quarterly basis). The Debtors pay these Insurance Premiums either directly to the Insurance Carrier or through their Insurance Brokers. Additionally, depending on the Insurance Policy, the Debtors may be required to pay various deductibles either annually or per-incident or retention amounts (collectively, the "Insurance Deductibles").

83. Alliant represents the Debtors in their efforts to secure commercial insurance coverage. Alliant provides advice on the Debtors' overall insurance portfolio, coverage limits, premiums and risk profile within the Debtors' respective industry and for some Insurance Policies remits funds received from the Debtors for Insurance Premiums to the Insurance Carriers. Alliant acted as the agent/broker and assisted the Debtors with obtaining its Premium Finance Agreements. Alliant is paid a commission fee for its services and was paid upfront for its assistance with the Premium Finance Agreements.

84. In addition, Thompson Flanagan brokers the Debtors' primary and excess directors and officers insurance (collectively, the "D&O Insurance"). Thompson Flanagan is paid a commission for providing D&O Insurance brokerage services.

85. The Debtors additionally maintain automobile liability coverage through an arrangement between VWE-CA and the Group Captive, that is funded by the Debtors and unaffiliated non-Debtors and provided by Old Republic Insurance. In connection with the

automobile insurance, the Debtors utilize the services of Alternative Risk Underwriting as agent (together with Terra Captive, the "Group Captive Administrators"). The Debtors pay captive administration fees, Alternative Risk Underwriting administration fees and claims administration fees for these services to the Group Captive Administrators (the "Group Captive Administrative Fees").

86. Additionally, in the ordinary course of business, the Debtors maintain the Surety Bond Program under which the Surety Bonds are issued by CapSpecialty, Inc., CA Shea, Travelers, CNA Surety and Capitol Indemnity Corporation (collectively, the "Sureties") to certain third parties (e.g., governmental units or other public agencies) to secure the Debtors' payment or performance of certain obligations (e.g., taxes and the sale, production or shipping of alcohol). To obtain the Surety Bonds, the Debtors pay premiums to, and enter into general indemnity agreements with, the Sureties. The Surety Bonds issued by CapSpecialty Incorporated are cash collateralized in an amount of \$1.5 million. Alliant acts as broker for the Debtors in obtaining Surety Bonds and receives fees for such services (the "Surety Broker Fees"). The Debtors pay their Surety Bond premiums to the Sureties through either Alliant or Vintners Accounting Services.

87. I believe that continuation of the Insurance Policies and the Surety Bond Program and satisfying all obligations related thereto (including, without limitation, Insurance Premiums (including payments under the Premium Finance Agreements and Group Captive), Insurance Deductibles and Surety Bond premiums is essential to the Debtors' operations and preservation of the going-concern value during the Chapter 11 Cases. It is also essential to the Debtors' operations that the Insurance Policies be maintained on an ongoing and uninterrupted basis because, without such insurance, the Debtors and their estates immediately would be exposed to

potentially catastrophic liability. Further, it is in the best interests of creditors and the estate to continue to utilize the services of the Insurance Brokers, Surety Broker and Group Captive Administrators and to pay Insurance Brokerage Fees, Surety Broker Fees and Group Captive Administrative Fees.

vi. The Utilities Motion

88. Through the Utilities Motion, the Debtors seek entry of an order: (i) prohibiting utility companies currently providing, or which will provide, services to the Debtors (collectively, the "Utility Companies") from otherwise altering, refusing or discontinuing services to, or discriminating against, the Debtors; (ii) establishing procedures for determining requests for additional assurance for the Utility Companies; (iii) determining that the Utility Companies have received adequate assurance of payment for future utility services; and (iv) granting certain related relief.

89. The Debtors currently use various electric, natural gas, sewage, trash, telephone, internet and other services of the same general type or nature (collectively, the "Utility Services") provided by approximately 47 Utility Companies. The Debtors estimate that their average monthly obligations to the Utility Companies on account of services rendered total approximately \$315,000. The Debtors further estimate that their average annual obligations to the Utility Companies on account of services rendered total approximately \$3,750,000.

90. Because the Utility Companies provide services essential to the Debtors' operations, any interruption in Utility Services could prove damaging. For example, the Debtors' ability to process and bottle product and conduct warehouse operations is contingent on access to electric Utility Services. The Debtors also rely on the electricity Utility Providers to ensure that the Debtors' products are stored in a controlled environment necessary for product preservation

and conservation. Additionally, the internet and telecommunication Utility Services are essential for conducting online sales and marketing the Debtors' products. The telecommunication Utility Services are also essential for coordinating with the Debtors' various shipping and handling service providers, as well as internal forecasting, demand planning and purchasing. The temporary or permanent discontinuation of Utility Services could irreparably disrupt the Debtors' business operations and, as a result, fundamentally undermine the ability of the Debtors to maximize the value of their estates for the benefit of creditors.

91. The Debtors intend to pay any postpetition obligations to the Utility Companies in a timely fashion and in the ordinary course, as they have generally done prior to the Petition Date. The Debtors anticipate having sufficient funds to satisfy postpetition obligations to the Utility Companies from funds available under the Debtors' postpetition credit facility.

92. I understand that, under the Bankruptcy Code, a utility may alter, refuse or discontinue a chapter 11 debtor's utility service if the utility does not receive from the debtor or the trustee adequate "assurance of payment" within 30 days of the Petition Date. The Debtors seek an order of this Court authorizing them to provide adequate assurance to Utility Companies by depositing approximately \$165,000 into a segregated account within 20 days of the Petition Date (the "Adequate Assurance Deposit"). The Adequate Assurance Deposit equals approximately two weeks of the Debtors' estimated aggregate monthly utility expenses, net of any prepetition deposits or other similar forms of adequate assurance of payment already provided to the Utility Companies. I believe that the Adequate Assurance Deposit, in conjunction with the Debtors' cash flow from operations, cash on hand, and anticipated access to debtor in possession financing, demonstrates the Debtors' ability to pay for future Utility

Services in accordance with prepetition practice and constitutes sufficient adequate assurance to the Utility Companies.

93. I also understand that if any Utility Company believes additional assurance is required, it may request such assurance under procedures set forth in the proposed order.

vii. Cash Management Motion

94. By the Cash Management Motion, the Debtors request entry of an order (i) approving the Debtors' continued use of (a) their current Cash Management System (as defined below) and (b) the Debtors' existing Bank Accounts (as defined below) business forms and checks, including authorizing the Debtors to open and close Bank Accounts (as defined below); (ii) granting a waiver or an extension of time to comply with certain requirements of section 345(b) of the Bankruptcy Code; (iii) authorizing all Banks (as defined below) participating in the Cash Management System to honor certain transfers and charge bank fees and certain other amounts; and (iv) granting such other relief as may be appropriate.

95. In the ordinary course of business, the Debtors maintain 19 bank accounts (the "Bank Accounts"). Two of the accounts are inactive. Two of the accounts are restricted cash collateral accounts. The remaining 15 accounts collect customer receivables, pay down the Debtors' outstanding debt obligations under the Prepetition Credit Facility, fund continued operations, pay vendors and transfer funds to the payroll processor to pay employees (collectively, the "Cash Management System").

96. The Debtors bank accounts are maintained at JPMorgan Chase Bank, N.A. ("JPM"), BMO Bank N.A. ("BMO") and Umpqua Bank ("Umpqua" and together with JPM and BMO, the "Banks"). Each of the Banks is party to a uniform depository trust agreement with the U.S. Trustee.

97. The smooth operation of the Debtors' businesses requires the continuation of the Cash Management System during the pendency of these Chapter 11 Cases. Moreover, as a practical matter, it would be difficult, expensive, disruptive and administratively burdensome to require the Debtors to close all of their existing bank accounts and open new, segmented debtor-in-possession bank accounts for each Debtor entity at the very outset of these Chapter 11 Cases as required by the operating guidelines promulgated by the Office of the United States Trustee. Preserving a "business as usual" atmosphere and avoiding the unnecessary distractions that inevitably would be associated with any substantial disruption of the Cash Management System will (a) facilitate the Debtors' stabilization of their postpetition operations and (b) maximize value for stakeholders by allowing the Debtors to continue their operations without disruption.

98. Thus, under the circumstances, maintaining the existing Cash Management System is not only essential, but is in the best interest of creditors and other parties in interest. The Debtors therefore will request authority for the continued use of (a) their current Cash Management System, (b) certain of their existing bank accounts (as well as authorization for the Debtors to open and close bank accounts (including as necessary or appropriate in connection with the DIP Financing (as defined in the DIP Financing Motion))) and (3) their business forms and checks. The Debtors also will seek authorization from the Court for the banks involved in the Debtors' Cash Management System to honor certain transfers and charge certain bank fees and other amounts as further described in the motion.

99. In the ordinary course of business, and as more fully described in the Debtors' Cash Management Motion, the Debtors engage in intercompany transactions and transfers (the "Intercompany Transactions"). Continuation of the Intercompany Transactions is necessary due to the complex corporate structure of the Debtors and is accordingly in the best interests of

the Debtors' respective estates and creditors. Any discontinuation of the Intercompany Transactions would be detrimental to the Debtors' estates because the Debtors are dependent upon each other for goods, services and funding for their operations. The Debtors will continue to maintain records as they did prior to the Petition Date such that Intercompany Transaction can be properly accounted for if and as necessary. To ensure that each individual Debtor will not, at the expense of its particular creditors, fund the operations of another Debtor, the Debtors request that the Court grant administrative expense status to all postpetition claims arising from intercompany transactions and permit the Debtors to reconcile and set off any mutual prepetition obligations between Debtors and their Debtor and non-debtor affiliates arising from Intercompany Transactions through the Cash Management System. If Intercompany Claims are accorded administrative expense status, each entity using funds that flow through the Cash Management System will continue bearing the ultimate responsibility for its ordinary course transactions with affiliates.

C. Sale- and Contract-Related Pleadings

i. The Rejection Motion

100. By the Rejection Motion, the Debtors seek entry of an order (i) authorizing the Debtors to reject the executory contracts (collectively, the "Agreements") identified on the schedule attached as Annex 1 to the proposed order attached thereto nunc pro tunc to the Petition Date; and (b) granting certain related relief.

101. Prior to the Petition Date, the Debtors engaged in a review, which remains ongoing, of their executory contracts and unexpired leases and determined, in the exercise of their reasonable business judgment, that the Agreements (a) do not enhance the value of their estates or assets, (b) are burdensome to their estates, and/or (c) are highly unlikely to be assumed

and assigned to a third party on terms that would provide any net economic benefit to the Debtors, and, thus, should be rejected as of the Petition Date. Absent rejection of the Agreements, with such rejection effective nunc pro tunc to the Petition Date, I understand that the Debtors risk accruing avoidable administrative expenses without any accompanying benefit to their estates, to the detriment of the Debtors' stakeholders.

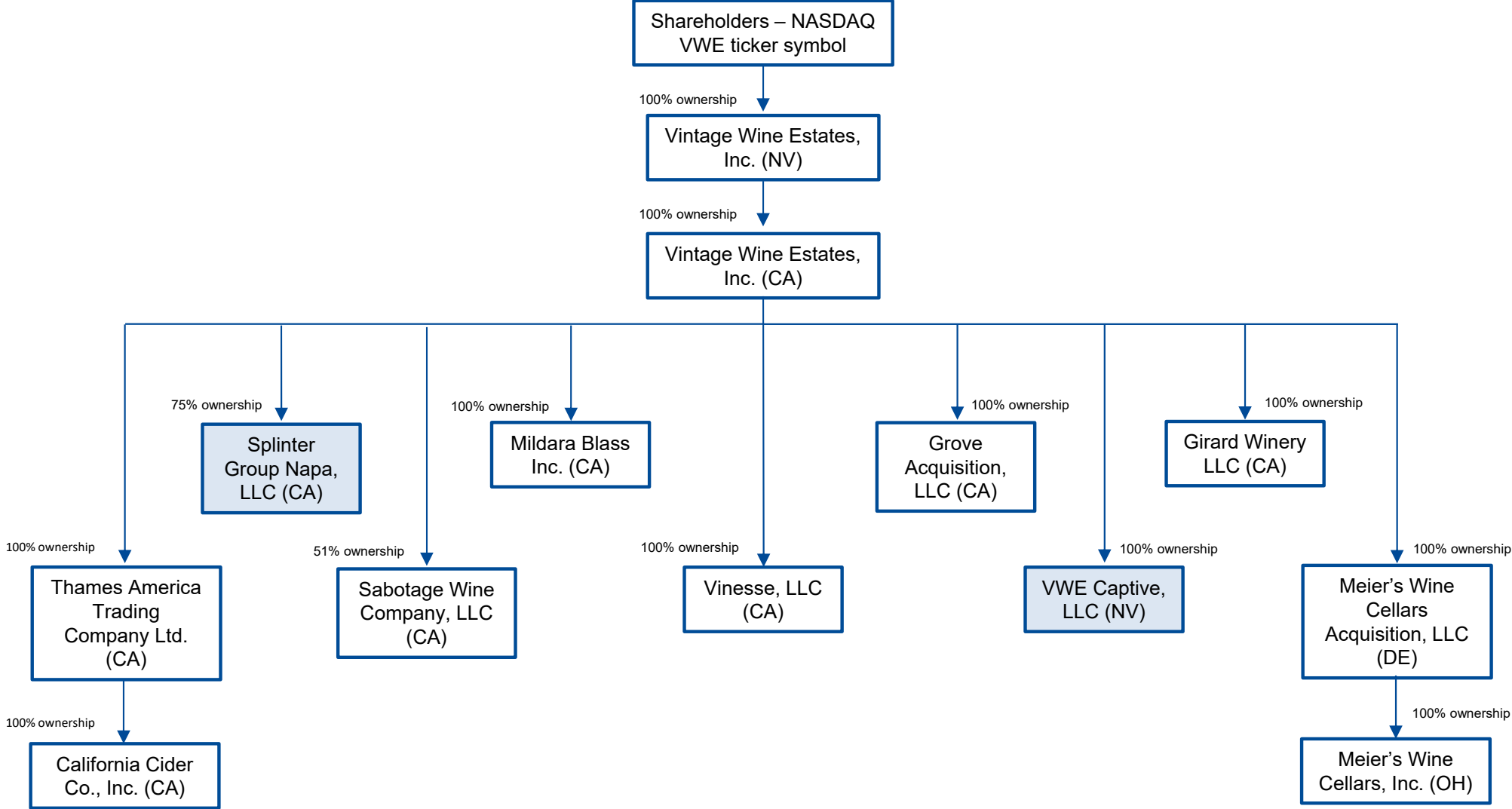
Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Dated: July 24, 2024
Montvale, New Jersey

/s/ Seth Kaufman
Seth Kaufman
President and Chief Executive Officer

Exhibit A

Organizational Chart



Indicates Non-Debtor