

LEGAL IMPLICATIONS OF LOAN COVENANTS AND RELATED GRAPE CONTRACT ISSUES



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Legal Implications of Loan Covenants

- **Common Covenants:**
 - **Affirmative Covenants (e.g., Maintain Working Capital or Liquidity at specified levels)**
 - **Negative Covenants (e.g., No material adverse change or limitation on capital expenditures or distributions to owners)**

Legal Implications of Loan Covenants

- **Event of Default:**
 - **Lender Right to Accelerate**
 - **Understand your Cure Rights**
 - **Lender Right to Foreclose Privately or Judicially**
 - **Risk of Deficiency Liability**
 - **Lender Right to Enforce Guarantees**

Legal Implications of Loan Covenants

Importance of Understanding Loan Covenants:

- **Managing Risk**
 - **Understand and Test your Financial Loan Covenants**
 - **Communicate with your Lender**
 - **Share projected yields and revenue**
 - **Build Strong Grape Contracts**

Building Strong Grape Contracts

- **Grower Loan Performance tied to Grape Contracts**
- **Know you who are contracting with:**
 - **Processor vs Virtual Winery**
 - **Type of Legal Entity**
 - **Financial Condition**

Building Strong Grape Contracts

- **Protective Rights and Steps:**
 - Demand for Adequate Assurances
 - Rights Upon Anticipatory Repudiation
 - Producers Lien
 - Priority and Subordination
 - Tracing Issues
 - Judicial Action Required
 - Market Enforcement

Building Strong Grape Contracts

- UCC Security Interest
 - Blanket Lien
 - Judicial Action may be Avoided
- Writs of Attachment
- Personal Guarantees
- Assignment Limitations

Building Strong Grape Contracts

- **Buyer Bankruptcy Considerations:**
 - **Assumption/Rejection of Executory Contracts**
 - **Assignment of Grape Contracts**
 - **Attorney Fee Provisions**

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Conclusion & Disclaimer

We hope this has been helpful. It was meant to be introductory and informational. Of course, everyone's situation is different. We encourage you to talk to your own professionals for specific advice in your situation.

This presentation is merely a summary of the law and is not intended to provide legal advice. In no case does the published material constitute an exhaustive legal study, and applicability to a particular situation depends upon investigation of specific facts.