

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

CHALONE WINE GROUP LTD

CIK: **742685** | IRS No.: **941696731** | State of Incorpor.: **CA** | Fiscal Year End: **1231**
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FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: May 9, 1995

THE CHALONE WINE GROUP, LTD.

Incorporated under the laws of
the State of California

Commission File
Number: 0-13406

IRS Employer Identification
Number: 94-1696731

Principal Executive Offices:

621 Airpark Road
Napa, CA 94558
Telephone: (707) 254-4200

Item 5: Other Events.

On April 26, 1995, The Chalone Wine Group, Ltd. (the "Company"), reached agreement in principle with its two largest shareholders, Domaines Barons de Rothschild (Lafite) ("DBR") and Summus Financial, Inc. ("Summus"), for the infusion of substantial new equity into the Company and a restructuring of the Company's operational relationship with DBR. The agreement, which is subject to the achievement and execution of definitive agreements and the approval of

the Company's shareholders, is memorialized in a certain "Summary of Terms," a copy of which is attached hereto as Exhibit 1 and incorporated herein by reference.

In summary, the agreement involves the following major points:

1. The Company will offer to all of the holders of its outstanding 5% Convertible Subordinated Debentures Due 1999, in total face amount of \$20,884,000, the right to convert those Debentures into shares of the Company's no par value common stock at a conversion price of \$7.00. DBR has agreed so to convert its Debentures, totalling \$12,384,000, thus receiving 1,769,143 shares of common stock.

2. DBR and Summus will each contribute the sum of \$2,500,002 in new equity to the Company, for the purchase of shares of common stock at a per-share price of \$6.00, thus each receiving 416,667 shares of such stock. Additionally, each will receive warrants for the purchase of an additional 416,667 shares, at a unit price of \$8.00.

3. The Company will exchange 13,983 "ordinary shares" of stock of DBR, of the total 13,984 of such shares currently held by the Company, for a 23.5% partnership interest in Chateau Duhart-Milon, a subsidiary of DBR. The Company will continue to hold one "ordinary share" of DBR stock and will continue to have the right to nominate one director of DBR.

4. The Company's Board of Directors will be increased in size from the current nine to eleven members. DBR and Summus, which currently have two and one designee(s), respectively, on the Company's Board, will each receive the right to nominate an additional director to one of the newly created seats.

5. The existing "standstill agreement," by which DBR is restricted in its ability to acquire equity in the Company absent the Company's contemporaneous consent, will be terminated, with DBR agreeing not to increase its aggregate holding of the Company's stock above 49.9%, on a fully diluted basis, through December 31, 1999.

Item 7: Financial Statements and Exhibits.

(a) Financial statements.

Financial statements pertaining to the Chateau Duhart-Milon element of the transaction will be filed within sixty days of this filing.

(c) Exhibits.

1. "Summary of Terms," dated April 26, 1995.
2. Press release, dated April 27, 1995.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

Dated: May 9, 1995.

THE CHALONE WINE GROUP, LTD.

By: /s/ William L. Hamilton
William L. Hamilton
Executive Vice President and
Chief Financial Officer

Summary of Terms
Proposed Transaction Between
The Chalone Wine Group, Ltd. ("Chalone") and
Les Domaines Barons de Rothschild (Lafite) ("DBR")

Conversion of debentures: Offer by Chalone to convert all of its \$20,884,000 of convertible debentures into common stock of \$7.00 per share, with DBR agreeing to convert the \$12,394,000 of convertible debentures that it holds. DBR will receive 1,759,143 shares of Chalone common stock upon conversion.

Sale of equity: Sale by Chalone of \$2,800,000 of new common stock to each of DBR and Summus Financial, Inc. ("Summus") at \$6.00 per share and issuance of one warrant to purchase one share of common stock at \$8.00 per share for each share for each new share purchased. DBR and Summus will each receive 416,667 shares of common stock and 416,667 warrants.

Exchange of DBR interest: Contribution by Chalone of nearly its entire interest in DBR (12,983 shares) to Chateau Duhart-Milon ("D-M") in exchange for a 23.5% interest in D-M. Chalone will retain a nominal interest (one share) in DBR and maintain the right to nominate one director to the DBR board.

As an equity holder in D-M, Chalone is deemed to be a general partner and is entitled to receive its pro rata portion of D-M's earnings and distributions. Chalone also receives the right to participate in any increases in capital of D-M on a pro rata basis.

D-M sale of DBR shares: Sale by D-M of the 13,983 shares of DBR contributed to D-M by Chalone for not less than FF58,685,000 in cash on or before December 31, 1995.

Standstill: Termination of the existing standstill agreement between Chalone and DBR and agreement by DBR through December 31, 1999 not to increase its aggregate holdings of Chalone common stock to over 49.9% of the fully diluted shares outstanding. To be accomplished through either modification of the existing shareholders' agreement or creation of a new shareholders' agreement.

EXHIBIT 1

Summary of Terms
Proposed Transaction Between
The Chalone Wine Group, Ltd. ("Chalone") and
Les Domaines Barons de Rothschild (Lafite) ("DBR") (cont'd)

Board representation: Increase in the number of directors from nine to eleven. Of the eleven, three directors will be nominated by DBR and two directors will be nominated by Summus.

Shareholder vote: Shareholders to vote at special meeting to be scheduled as soon as practically possible.

D-M financials: D-M financial records and statements to be subject to maintenance and audit as required to meet SEC reporting requirements. Any costs associated with such requirements, to the extent these costs are in excess of D-M's normal cost of maintaining auditing its financial statements, will be the responsibility of Chalone.

Fairness opinion: Chalone's receipt of a fairness opinion is a condition to the completion of the transaction as contemplated above.

Interest on debentures: Interest on the Chalone debentures held by DBR will accrue until the closing of the transaction when the debentures are converted to common stock.

Dividend on DBR stock: Chalone is entitled to the entire 1994 dividend on

the DBR shares it now holds. These dividends are scheduled to be paid in June or July 1995.

D-M partnership distribution: Chalone will receive 23.5% of the entire 1995 distributions from D-M, it being the parties' intention that D-M will distribute 100% of its earnings for the year, according to French accounting standards. (Chalone's reported earnings on its D-M interest, for G.A.A.P. purposes, will commence effective with the closing.) Future distributions will be determined by the partners of D-M as appropriate.

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Summary of Terms
Proposed Transaction Between
The Chalone Wine Group, Ltd. ("Chalone") and
Les Domaines Barons de Rothschild (Lafite) ("DBR") (cont'd)

Timing: Chalone and DBR shall use their respective best efforts to negotiate, sign and close the proposed transaction as soon as possible. Chalone and DBR agree to cooperate in the preparation of all filings and other materials necessary to consummate the proposed transaction.

Not binding: This document is not intended as a binding agreement. Definitive documents will reflect the final terms binding on the parties.

Confirmed and Agreed to:

/s/ W. Philip Woodward

The Chalone Wine Group, Ltd.

By: W. Philip Woodward

Title: President

Date: April 26, 1995

Confirmed and Agreed to:

/s/ Eric de Rothschild

Les Domaines Barons de Rothschild (Lafite)

By: Eric de Rothschild

Title: Gerant

Date: 26/4/95

EXHIBIT 2

FOR IMMEDIATE RELEASE

CHALONE WINE GROUP TO OBTAIN NEW EQUITY
AND ACQUIRE OWNERSHIP IN CHATEAU DUHART-MILON

NAPA, CALIFORNIA, APRIL 27, 1995 - The Board of Directors of The Chalone Wine Group, Ltd. (NASDAQ: CHLN) has reached an agreement with two of its largest shareholders, Domaines Barons de Rothschild (Lafite) ("DBR") and Summus Financial, Inc., to substantially increase its equity base.

Subject to the successful conclusion of definitive agreements and approval by Chalone's shareholders, Chalone will receive equity of \$5 million at \$6.00 per share provided equally by DBR and Summus. DBR and Summus will also receive an equivalent number of warrants to purchase additional shares at \$8.00 per share. In addition, DBR has agreed to convert its \$12.4 million holding of debentures, at \$7.00 per share, into 1.77 million shares of Chalone common stock. All other holders of the remaining outstanding debentures will be offered the same conversion terms.

The Company will use the proceeds to pay down its bank lines of credit. Along with the conversion of DBR's debentures, the resulting annual interest savings will be over \$1 million. Chalone's shareholder equity will increase from \$24 million to a minimum of \$41 million.

Chalone will exchange substantially all of its existing ownership in DBR for a 23.5% partnership interest in Chateau Duhart-Milon, a classified fourth growth Bordeaux estate in Pauillac. DBR will continue as the managing partner.

Also as part of the agreement, Chalone will increase its Board of Directors from nine to eleven members. DBR and Summus will each receive the right to designate a nominee for one of the two new seats. Philip Woodward, Chalone's President and CEO, will remain on the Board of Directors of DBR.

"These positive changes in Chalone's balance sheet and in its vineyard

portfolio will allow the Company to be in a stronger position to take advantage of future opportunities," commented Mr. Woodward.

The Chalone Wine Group is a Napa-based company that produces, markets and sells premium white and red varietal table wines. The company owns and operates Chalone Vineyard in Monterey County, Acacia Winery in the Carneros District of Napa County, Carmenet Vineyard in Sonoma County; in conjunction with its joint-venture partner, Paragon Vineyard Co., owns and operates Edna Valley Vineyard in San Luis Obispo County; and owns a 50% interest in Canoe Ridge Vineyard and a 51% interest in Canoe Ridge Winery, both in Washington State. Additionally, Chalone has a cross-investment and marketing alliance with Domaines Barons de Rothschild (Lafite) (DBR), owners of the Bordeaux estates of Chateau Duhart-Milon, Chateau Rieussec, Chateau L'Evangile and general manager of Chateau Lafite-Rothschild. DBR also has wine-making interests in Chile (Vina Los Vascos) and Portugal (Quinta do Carmo).

CONTACT: William L. Hamilton, Executive Vice President, (707) 254-4220