

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
AMARILLO DIVISION

IN RE:	§	
	§	
FRIENDSHIP DAIRIES,	§	BANKRUPTCY NO. 12-20405
a general partnership	§	
	§	
Debtor	§	
	§	Chapter 11
	§	
	§	

**THIRD AMENDED PLAN OF REORGANIZATION PROPOSED BY
FRIENDSHIP DAIRIES**

[This Plan is proposed subsequent to the Court’s January 3, 2014 Memorandum Opinion [Docket No. 767] denying confirmation of Debtor’s Second Amended Plan [Docket No. 463], as modified by the First Modification to Second Amended Plan [Docket No. 652]. This Third Amended Plan represents the Debtor’s attempt to address and overcome the concerns raised by the Court in the Memorandum Opinion. Except for those changes made to address the deficiencies noted by the Court, this Plan duplicates the Second Amended Plan and incorporates the First Modification to Second Amended Plan. This Third Amended Plan does not materially modify the Second Amended Plan; therefore, no further disclosure is necessary under 11 U.S.C. § 1125. Frontier Capital Group, Ltd. (Class 8) and McFinney Agri-Finance, LP (Class 12) are the only creditors whose claim treatment differs from the Second Amended Plan.]

Friendship Dairies, Debtor, hereby proposes this Plan of Reorganization in this proceeding:

I. DEFINITIONS

For the purposes of this Plan of Reorganization ("Plan"), the following terms shall mean:

“Administrative Claim” shall mean an Allowed Claim, arising prior to the Effective Date, for the provision of goods or services to the Debtor after the commencement of this Chapter 11 case or which is otherwise the type of expense contemplated by Bankruptcy Code § 503(b), and which is entitled to priority status pursuant to Bankruptcy Code § 507(a)(2).

“Administrative Claim” also includes that portion of what would otherwise be a General Unsecured Claim but for Bankruptcy Code § 503(b)(9).

“Administrative Claim” also includes Cure Claims.

“Allowed Claim” shall mean a Claim as to which no objection has been interposed and:

- (a) in respect to which a proof of claim has been filed with the Court within the applicable period of limitation fixed by an order of the Court, pursuant to Bankruptcy Rule 3003(c)(3); or
- (b) listed in the schedule of liabilities prepared and filed with the Court pursuant to Bankruptcy Rule 1007(b) and not listed as disputed, contingent, or unliquidated as to amount.

“Allowed Claim” shall also include any Claim as to which any objection has been determined by an order or judgment which is no longer subject to appeal or certiorari proceeding and as to which no appeal or certiorari proceeding is pending. **“Allowed Claim”** shall also include any amounts established by a proper amendment to a timely filed Claim.

“Allowed Priority Non-Tax Claim” shall mean Allowed Claims under Bankruptcy Code §§ 507(a)(1) – (a)(7) and §§ 507(a)(9) – (a)(10).

“Allowed Secured Claim” shall mean an Allowed Claim secured by a lien, security interest, or other charge against or interest in property in which Debtor has an interest, or which is subject to setoff under 11 U.S.C. § 553, which claim is equal to the lesser of (a) the Allowed amount of such Claim, or (b) the value of the holder’s interest in its Collateral (determined in accordance with 11 U.S.C. § 506(a)(1)).

“Ballot” shall mean the document approved by the Bankruptcy Court for voting on the Plan and for holders of Class Claims to elect options for treatment under the Plan.

“Bankruptcy Code or Code” shall mean the United States Bankruptcy Code, Title 11 of the United States Code, § 101 *et seq.*

“Bankruptcy Court or Court” shall mean the United States Bankruptcy Court for the Northern District of Texas, Amarillo Division, or such other court having jurisdiction over this Chapter 11 Case, or any proceeding related thereto, including appeals.

“Bankruptcy Rule(s)” shall mean the Federal Rules of Bankruptcy Procedure.

“Bar Date” shall mean the date established by the Bankruptcy Court by which any particular type of Claim or Equity Interest must be evidenced by the filing of a proof of claim or proof of interest with the Bankruptcy Court. Absent further order of the Bankruptcy Court extending the Bar Date, the Bar Date was November 29, 2012.

“Business Day” shall mean a day other than a Saturday, Sunday, or legal holiday.

“Chapter 11 Case or Case” shall mean the case commenced under Chapter 11 of the Bankruptcy Code by the Debtor on the Petition Date by the filing of its Chapter 11 petition with the Bankruptcy Court.

“Claim” shall mean any right to payment, or right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, against the Debtor in existence on or

as of the Petition Date, whether or not such right to payment or right to an equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured as of the Effective Date. **“Claim”** shall also include an injunction, specific performance, remediation, or any other equitable or non-monetary form of remedy, whether or not such right to an equitable form of remedy is reduced to judgment, fixed, contingent, matured, unmatured, requested, contested, secured, or unsecured as of the Effective Date.

“Class” shall mean any class into which Allowed Claims or Allowed Interests are classified pursuant to Article II.

“Collateral” shall mean property in which the Debtor has an interest and that secures, in whole or in part, whether by agreement, statute, or judicial decree, the payment of a Claim.

“Confirmation Date” shall mean the date upon which the Order of Confirmation is entered by the Court determining that the Plan meets the requirements of Chapter 11 of the Bankruptcy Code.

“Confirmation Order” shall mean the order of the Bankruptcy Court confirming the Plan under § 1129 of the Bankruptcy Code.

“Contested Claim” shall mean a Claim against the Debtor for which a proof of claim has been filed and as to which an objection has been or is later filed with the Bankruptcy Court, but which has not been determined by Final Order.

“Cure Claim” shall mean any Claim arising under or relating to any executory contract or unexpired lease to which the Debtor was a party on the Petition Date and which is assumed pursuant to the Plan including, without limitation, any Claim for breach of or default under such contract.

“**Debtor**” shall mean Friendship Dairies, whether in its capacity as pre-petition, post-petition, or post-confirmation debtor-in-possession, depending on context.

“**Disclosure Statement**” shall mean the Disclosure Statement proposed under Bankruptcy Code § 1125, including any amendments, supplements, addenda, and exhibits, submitted by the Debtor in conjunction with its Plan of Reorganization.

“**Effective Date**” shall mean the later of: (a) the first day of the calendar month next following thirty (30) days after the Confirmation Date; (b) if a notice of appeal has been timely filed, the first day of the calendar month next following thirty (30) days after the Confirmation Date during which no order granting a stay pending appeal has been entered and remains effective; or (c) in the event an order granting a stay pending appeal has been entered, the first day of the calendar month next following thirty (30) days days after the Confirmation Date on which such order is no longer in effect.

“**Equity Interest**” shall mean any ownership interest in the Debtor, whether designated as partnership interest, membership interest, capital stock, common stock, preferred stock, warrants, options, or any other indicia of interest(s) in the Debtor which are not “Claims” as defined by Bankruptcy Code § 101(5).

“**Estate**” shall mean the legal entity created by the Bankruptcy Code to administer the property of the Debtor upon the commencement of the Case.

“**Final Order**” shall mean an order, judgment, ruling, or other decree issued and entered by the Bankruptcy Court (as entered on the docket in the Chapter 11 Case), or any state or federal court or other tribunal located in one of the states, territories, possessions of the United States of America, or the District of Columbia, which judgment, order, or other decree has not been reversed, stayed, modified, or amended, and as to which (a) the time to appeal or to seek

review, rehearing, or certiorari has expired and as to which no appeal or petition for review, rehearing, or certiorari is pending or has been timely filed, or (b) any appeal that has been or may be taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

“General Unsecured Claim” shall mean any Allowed Claim which is not secured by property of the Debtor’s Estate and which is not an Administrative Claim, Priority Non-Tax Claim, or Priority Tax Claim, including, without limitation, all claims arising from the rejection of executory contracts and deficiency claims.

“Impaired” shall mean that the legal, equitable, or contractual rights of the holder of an Allowed Claim have been altered, except for curing and reinstatement in accordance with Bankruptcy Code § 1124(2).

“Net Proceeds” shall mean the sales price less expenses of the sale.

“Oversecured Claim” shall mean a Claim which is secured by property which has a value (as of the Petition Date) greater than the amount of the Claim.

“Penalty” shall mean those charges that are not compensation for actual pecuniary loss and, therefore, not entitled to priority treatment pursuant to 11 U.S.C. § 507(a)(8)(G).

“Person” shall mean any individual, corporation, limited liability company, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, governmental or regulatory body, or other entity.

“Petition Date” shall mean August 6, 2012, the date on which the Debtor commenced its Chapter 11 Case.

“**Plan**” shall mean the Plan of Reorganization proposed by the Debtor pursuant to Chapter 11 of the Bankruptcy Code, as amended or modified from time to time in accordance with the terms hereof or as approved by the Court.

“**Priority Tax Claim**” shall mean any Allowed Claim of a governmental unit for taxes entitled to priority status pursuant to Bankruptcy Code § 507(a)(8). “**Priority Tax Claim**” shall not include amounts owed to governmental units for penalties that are not compensation for actual pecuniary loss and, therefore, not entitled to priority treatment pursuant to 11 U.S.C. § 507(a)(8)(G).

“**Professional Fees**” shall mean Allowed Claims for professional fees which are allowed following notice and opportunity for hearing, pursuant to Bankruptcy Code § 330 and entitled to priority status as administrative expenses pursuant to Bankruptcy Code § 507(a)(2).

“**Reorganized Debtor**” shall mean Friendship Dairies on and after the Effective Date, after giving effect to the provisions of this Plan.

“**Schedules**” shall mean the Schedules of Assets and Liabilities, including all amendments, filed by the Debtor pursuant to Bankruptcy Code § 521(a)(1)(B)(i) and Bankruptcy Rule 1007(b)(1)(A).

“**Secured Claim**” shall mean any Claim secured by property of the Estate, which Claim is equal to the lesser of (a) the amount of such Claim or (b) the value of the holder’s interest in its Collateral.

“**Subrogation Claim**” shall mean any Claim described in Bankruptcy Code § 509.

“**Unimpaired**” shall mean (a) that the legal, equitable, and contractual rights of the holder of an Allowed Claim or Equity Interest have not been altered or (b) that the only manner

in which the rights of the holder of an Allowed Claim or Equity Interest have been altered conforms to Bankruptcy Code § 1124(2).

“Value” with regard to any asset or item of collateral shall be determined in accordance with the use intended or contemplated by the Debtor in the performance of this Plan.

“Voting Deadline” shall mean 5:00 p.m., CDT, on the date established by the Bankruptcy Court, by which time Ballots must be received by counsel for the Debtor at the address indicated on the Ballots.

Undefined Terms. Terms and phrases, whether capitalized or not, that are used and not defined in the Plan, but that are defined in the Bankruptcy Code, have the meanings ascribed to them in the Bankruptcy Code.

Interpretation. Unless otherwise specified, all section, article, and schedule references in the Plan are to the respective section in, article of, or schedule to this Plan, as the same may be amended, waived, or modified from time to time. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Words denoting the singular number shall include the plural number and vice versa, and words denoting one gender shall include the other gender.

II. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

A. Creation of Classes

The Debtor creates the following classes for purposes of organization, voting, and all confirmation matters with respect to all Claims and Equity Interests in the Debtor other than Administrative Claims. As to Administrative Claims, the following classes are created for purposes of organization only.

B. Division of Claims

A Claim or Equity Interest is in a particular class only to the extent that the Claim or Equity Interest qualifies within the description of that class. The classification of Claims was made pursuant to the requirements of 11 U.S.C. § 1123(a)(1) and was performed entirely at the Debtor's discretion. For the purposes of this Plan, the classes of Claims are designated as follows:

B-1. Class 1 – Administrative Claims

This Class consists of all Administrative Claims in this case.

B-2. Class 2 – Priority Non-Tax Claims

This Class consists of all unsecured priority non-tax Claims in this case.

B-3. Class 3 – Priority Tax Claims

This Class consists of all unsecured Priority Tax Claims in this case. Included in this Class are any Claims for interest on a tax claim arising prior to the Petition Date, provided such interest is intended as compensation for actual pecuniary loss suffered by the holder of such claim. It does not include any Penalty owed to any Class 3 claimant. Similarly, it does not include any amount allowed a taxing authority as an Allowed Secured Claim.

B-4. Class 4 – Secured Claim of Deaf Smith County Appraisal District

This Class consists of the Allowed Secured Claim of the tax assessor-collector of Deaf Smith County, Texas. Included within this Class are the Allowed Claims of any taxing jurisdiction for which the Deaf Smith County Tax Assessor-Collector collects ad valorem taxes. It does not include any Penalties owed. To the extent such Claims, or any portion thereof, are Allowed Secured Claims, the Penalty portion of such Claim shall be treated under Class 16 (Penalties).

B-5. Class 5 – Secured Claim of John Deere Financial (Deere & Company)

This Class consists of John Deere Financial’s Allowed Secured Claim.

B-6. Class 6 – Secured Claim of Volvo Financial Services

This Class consists of Volvo Financial Services’ Allowed Secured Claim.

B-7. Class 7 – Secured Claim of Lone Star Milk Producers

This Class consists of Lone Star Milk Producer’s Allowed Secured Claim.

B-8. Class 8 – Secured Claim of Frontier Capital Group, Ltd.

This Class consists of the Allowed Secured Claim of Frontier Capital Group, Ltd. (“Frontier”).

B-9. Class 9 – Secured Claim of Gavilon Ingredients, LLC

This Class consists of Gavilon Ingredients, LLC’s Allowed Secured Claim.

B-10. Class 10 – Secured Claim of Dimmitt Flaking, LP

This Class consists of Dimmitt Flaking, LP’s Allowed Secured Claim.

B-11. Class 11 – Secured Claim of Underwood Law Firm

This Class consists of Underwood Law Firm’s Allowed Secured Claim.

B-12. Class 12 – Secured Claim of McFinney Agri-Finance, LLC

This Class consists of McFinney Agri-Finance LLC’s Allowed Secured Claim.

B-13. Class 13 – Unsecured Claim of Frontier Capital Group, Ltd.

This Class consists of Frontier’s Allowed General Unsecured Claim. This Class also includes any deficiency from Class 8.

B-14. Class 14 –General Unsecured Claims – Affiliated Entities

This Class consists of all Allowed General Unsecured Claims held by any entity or individual affiliated with the Debtor.

B-15. Class 15 – General Unsecured Claims

This Class consists of all Allowed General Unsecured Claims, including deficiencies from Class 5, Class 6, Class 7, Class 9, Class 10, Class 11, and Class 12 (Secured Creditor Classes), if any. This Class also consists of penalties and pre-petition interest, if any, owed to a taxing authority and not included in any of (a) the Class 3 Claim (Priority Tax Claims) for such taxing authority; (b) the Allowed Secured Claim for such taxing authority, if any; or (c) Class 16 (Penalties). This Class also consists of all General Unsecured Claims not included in either Class 13 (Frontier Unsecured Claim) or Class 14 (Affiliated Entities). This Class does not include any unsecured claim of any insider. That portion of any Claim approved as an Administrative Claim under § 503(b)(9) of the Code shall be excluded from Class 15.

B-16. Class 16 – Penalties

This Class consists of any fines or Penalties arising prior to the Petition Date.

B-17. Class 17 – Equity Holders

This Class consists of the holders of partnership interests in the Debtor.

B-18. Class 18 – Co-Obligor Claims

This Class consists of those claims for which the Debtor has liability, but for which another entity has undertaken the primary payment obligation. Any Class 18 claims shall be excluded from both Class 14 (Affiliated Claims) and Class 15 (General Unsecured Claims).

B-19. Class 19 – Subrogation Claims

This Class consists of the claims of Friendship Dairies' partners and Patrick VanAdrichem's spouse, whether in the nature of indemnity or contribution, arising out of their contingent liability to the Debtor's creditors by virtue of their position as general partners or as

co-makers, guarantors, or co-obligors of Debtor. Any Class 19 claims shall be excluded from both Class 14 (Affiliated Claims) and Class 15 (General Unsecured Claims).

C. Non-Participating Claims

Any Class that is not occupied as of the date of the hearing on confirmation of this Plan by an Allowed Claim or a claim temporarily allowed pursuant to Bankruptcy Rule 3018(a) shall (a) be deemed to accept the Plan or (b) alternatively, be deleted from this Plan solely for the purpose of voting on acceptance or rejection of this Plan and for the purpose of determining whether this Plan has been accepted by such Class pursuant to Bankruptcy Code § 1129, but not be deleted for purposes of enforcement of this Plan by or against such Class from and after Confirmation.

III. IDENTIFICATION OF UNIMPAIRED CLASSES OF CLAIMS AND EQUITY INTERESTS

A. Unimpaired Classes of Claims and Interests

Class 1, Class 2, Class 5, and Class 17 are not Impaired under this Plan.

B. Impaired Classes of Claims and Interests

Class 3, Class 4, Class 6, Class 7, Class 8, Class 9, Class 10, Class 11, Class 12, Class 13, Class 14, Class 15, Class 16, Class 18, and Class 19 are Impaired under this Plan.

C. Impairment Controversies

If a controversy arises as to whether any Claim or Equity Interest, or any Class of Claims or Class of Equity Interests, is Impaired under this Plan, such Class shall be treated as specified in this Plan unless the Bankruptcy Court shall determine such controversy upon motion of the party challenging the characterization of a particular Claim or Equity Interest under this Plan.

IV. ACCEPTANCE OR REJECTION OF PLAN; EFFECT OF REJECTION BY ONE OR MORE CLASSES OF CLAIMS OR EQUITY INTERESTS

A. Classes Entitled to Vote

Each Impaired Class of Claims or Equity Interests shall be entitled to vote separately to accept or reject this Plan. Any Unimpaired Class of Claims shall be deemed to have accepted the Plan pursuant to Bankruptcy Code § 1126(f).

B. Class Acceptance Requirement

A Class of Claims shall have accepted this Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have timely and properly voted on this Plan.

C. One Vote per Holder

If a holder of a Claim holds more than one Claim in any one Class, all Claims of such holder in such Class shall be aggregated and deemed to be one Claim for purposes of determining the number of Claims voting on this Plan.

D. Cramdown

Notwithstanding the rejection of this Plan by any Class of Claims or Equity Interests, the Debtor may request that the Bankruptcy Court confirm this Plan in accordance with Bankruptcy Code § 1129(b).

V. TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. General Overview

This Plan contemplates that all creditors will be paid in full, or as agreed by such creditor, through the Debtor's operations over the term of the Plan.

The assets of the Estate may be valued under Bankruptcy Code §§ 502 and 506 and Bankruptcy Rule 3012 on or before confirmation of the Debtor's Plan so that the value of any Secured Claim can be determined prior to implementation of the Plan. However, values agreed upon by interested parties may be utilized in lieu of formal findings by the Bankruptcy Court.

The amounts referenced in this Plan are in certain instances approximations and are subject to change. The amount to be Allowed under the Plan is the amount of the Allowed Claims filed by creditors on or before the Bar Date established by the Court for filing proofs of claim, after any objections interposed with respect to such claims have been resolved.

All Claimants will be required to make any election to which they are entitled by law or contract, whether under Bankruptcy Code § 1111(b) or otherwise, in accordance with Bankruptcy Rule 3014.

Any person or entity that is a guarantor or co-obligor (including Debtor's partners) of any indebtedness represented by an Allowed Claim against the Debtor shall remain secondarily liable for the debt.

B. Treatment of Claims and Interests

Class 1– Administrative Claims

This Class consists of all fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930, as well as all claims for administrative expenses pursuant to § 503(b) of the Bankruptcy Code, and specifically includes all costs and expenses of administration incurred or assumed subsequent to the filing date including, but without limitation, all fees and reimbursable expenses of professionals.

Class 1 also includes the Claim of Deaf Smith County for 2013 ad valorem property taxes. Notwithstanding any other provision of the Plan, Deaf Smith County retains its liens and

the state law priority of those liens, along with all rights afforded by bankruptcy and non-bankruptcy law.

Reclamation claims of certain creditors approved by the Bankruptcy Court pursuant to § 503(b)(9) of the Code are included in Class 1.

Cure Claims arising from the assumption of executory contracts are included in Class 1.

Each Holder of an Allowed Administrative Claim shall receive from the Debtor with respect to such Allowed Claim either (a) the amount of such Allowed Claim in one (1) Cash payment on the later of (i) the Effective Date, (ii) the date that is sixty (60) days after a request for payment of the Claim is made, (iii) the date that is twenty (20) days after the Claim becomes an Allowed Claim, or (b) such other treatment as to which the holder of each such claim consents; provided, however, that an Allowed Administrative Claim representing a liability incurred in the ordinary course of business shall be paid by the Debtor upon presentment or otherwise in accordance with the terms of the particular transaction and any agreement related thereto.

Applications for compensation and reimbursement filed by professionals employed under § 327 of the Bankruptcy Code or otherwise employed by order of the Bankruptcy Court shall be filed no later than sixty (60) days after the Effective Date. All other requests for payment of Administrative Claims found to be effective by the Bankruptcy Court shall be filed by the earlier of (i) thirty (30) days after the date of service of notice of the Effective Date, or (ii) any applicable bar date established by the Bankruptcy Court and noticed separately by the Debtor, and if no timely request for payment of Administrative Claims is made, such claims shall be forever barred and shall not be assertable in any manner against the Debtor or the Estate, provided no request for payment shall be required with respect to Administrative Claims that

have been paid previously or with respect to Administrative Claims representing liabilities incurred in the ordinary course of business unless a dispute exists as to any such liabilities or unless the provisions of the Bankruptcy Code require approval or allowance by the Bankruptcy Court as a precondition to payments being made on any such liability.

During the time this case has been pending, the Debtor has kept its payments to the United States Trustee current and has made regular deposits of substantial funds to its attorney, to the attorney for the Official Creditors' Committee, and to its court-approved consultant. These deposits of funds should cover a substantial portion of the fees for professionals expected to be approved by the Bankruptcy Court pursuant to Bankruptcy Code § 330. The amount of professional fees anticipated to be approved in excess of the previous fee deposits is currently estimated to be less than \$250,000.

During the time this case has been pending, the reclamation claims of various creditors has been approved in accordance with Bankruptcy Code § 503(b)(9). Currently approved reclamation claims are approximately \$135,000 and two (2) such claims remain pending. Assuming all pending § 503(b)(9) Claims are Allowed, the total Class 1 amount of such Claims will be \$145,101.68.

The only Cure Claim currently anticipated to be owed by the Debtor is that of Black Ridge Dairy in the amount of approximately \$26,000.

Class 2 – Priority Non-Tax Claims

Each holder of an Allowed Class 2 Claim shall be paid in full on the Effective Date. There are no currently estimated Class 2 claims.

Class 3 – Priority Tax Claims.

(i) Texas Workforce Commission

This sub-class consists of all unsecured Claims for unemployment taxes owed by the Debtor. This sub-class is Impaired. The amount of Claims currently estimated in this sub-class is \$158. The holder of this Claim shall be paid on full on the Effective Date.

(ii) Internal Revenue Service

This sub-class consists of all unsecured Claims for income or payroll taxes owed by the Debtor. The Internal Revenue Service has an Allowed Class 3 Claim in the amount of \$218,844.65.

Allowed Claims in this sub-class shall be amortized over a term of months beginning at the later of (i) the Effective Date, (ii) the date that is twenty (20) days after the Claim becomes an Allowed Claim, or (iii) August 5, 2013, and in any of these cases ending sixty (60) months after the Petition Date. The interest rate applicable to this sub-class shall be three percent (3%) per annum.

Payments on this sub-class are estimated over thirty-nine (39) months, from May 2014 to July 2017, in the amount of \$5,896.41 per month.

This sub-class is Impaired.

(iii) Deaf Smith County Appraisal District

This sub-class consists of all unsecured Claims for ad valorem property taxes owed by the Debtor. The secured portion of Deaf Smith County Appraisal District's Claim is covered under Class 4; therefore, no amount is estimated to be owed Deaf Smith County Appraisal District as a Class 3 Claim.

This sub-class is Impaired.

Allowed Claims in this sub-class shall be amortized over a term of months beginning at the later of (i) the Effective Date, (ii) the date that is twenty (20) days after the Claim becomes an Allowed Claim, or (iii) August 5, 2013, and in any of these cases ending sixty (60) months after the Petition Date. The interest rate applicable to this sub-class shall be three percent (3%) per annum.

All amounts Allowed to the holders of Class 3 Claims for Penalties, if any, will be entitled to treatment under Class 16 (Penalties).

Class 4 – Secured Claim of Deaf Smith County Appraisal District

Deaf Smith County Appraisal District's Class 4 Claim shall be Allowed in the amount of \$114,872.24. Deaf Smith County Appraisal District shall retain its liens for ad valorem property taxes on the Debtor's real and personal property. This Claim is Fully Secured.

Deaf Smith County Appraisal District shall receive payment of its Allowed Class 4 Claim, in full, with interest at the rate of twelve percent (12%) per annum. This claim shall be paid in installments amortized over sixty (60) months beginning at the later of (i) the Effective Date, (ii) the date that is twenty (20) days after the Claim becomes an Allowed Claim, or (iii) such other treatment as may be agreed upon in writing by Deaf Smith County Appraisal District.

Payments on this Class are estimated over sixty (60) months, from May 2014 to April 2019, in the amount of \$2,555.27 per month.

This Class is Impaired.

Class 5 – Secured Claim of John Deere Financial (Deere & Company)

John Deere Financial's Class 5 Claim shall be Allowed in the amount of \$180,225.33.

John Deere Financial shall retain its liens on the collateral described in the pre-petition loan and security agreements and in the proceeds thereof. This Claim is Fully Secured. No unsecured deficiency claim of John Deere Financial exists or will be Allowed.

John Deere Financial's Class 5 Claim will be paid in accordance with the terms of the Credit Agreements between it and Debtor, which consists of three installment agreements: one for a period of sixty (60) months, commencing on September 8, 2010, with an original amount financed of \$23,817, bearing interest at the rate of 6.95% per annum, with monthly payments in the amount of \$471.07; one for a period of twenty-four (24) months, commencing on June 21, 2011, with an original amount financed of \$49,600, bearing interest at the rate of 7.25% per annum, with monthly payments in the amount of \$2,226.77; and, one for a period of sixty (60) months, commencing on April 27, 2010, with an original amount financed of \$237,133, bearing interest at the rate of 3.99% per annum, with monthly payments in the amount of \$4,366.61.

All arrearages on John Deere Financial's Class 5 Claim will be paid within thirty (30) days of the Effective Date.

This Class is not Impaired.

Class 6 – Secured Claim of Volvo Financial Services

Volvo Financial Services, a division of VFS US LLC's ("Volvo Financial Services"), Class 6 Claim shall be Allowed in the amount of \$158,513.29. Volvo Financial Services shall retain its liens in the collateral described in the pre-petition loan and security agreements and in the proceeds thereof. This Claim is Fully Secured.

Volvo Financial Services' Class 6 Claim will be paid in accordance with the terms of the Secured Promissory Note between it and the Debtor until the balloon payment originally scheduled for \$79,438.74 on March 18, 2013. Beginning in March, 2013, Debtor shall make

payments to Volvo Financial Services in the amount of \$11,613 per month for a total of seven (7) months in full satisfaction of Volvo Financial Services' Class 6 Claim. All other terms of the Secured Promissory Note shall remain in full force and effect and are not modified by anything set forth herein. These payments have all been made and this claim has been satisfied. No unsecured deficiency claim of Volvo Financial Services exists or will be Allowed.

This Class is Impaired.

Class 7 – Secured Claim of Lone Star Milk Producers

Lone Star Milk Producers' Class 7 Claim shall be Allowed in the amount of \$400,000. This Claim shall be secured by a security interest in Debtor's equity credits with Lone Star Milk Producers. This Claim is Fully Secured.

Lone Star Milk Producers' Class 7 Claim shall be paid through a \$0.10 per hundredweight deduction on all milk proceeds payable to the Debtor by Lone Star Milk Producers and retention of thirty-five percent (35%) of the annual patronage dividend payable to the Debtor.

Should Debtor's milk production decrease by more than thirty-five percent (35%), Lone Star Milk Producers may accelerate the balance of its Class 7 Claim and may exercise any remedies available to it under its Bylaws including, but not limited to, collection from the equity credits.

Lone Star Milk Producers' Class 7 Claim shall be evidenced by a new promissory note dated as of the Effective Date of the Plan bearing interest from the Effective Date at the rate of 5.5% per annum.

The foregoing treatment of all Allowed Claims of Lone Star Milk Producers includes the total Cure Claim of Lone Star Milk Producers in connection with the Debtor's assumption under

this Plan of all executory contracts between the Debtor and Lone Star Milk Producers. No unsecured deficiency claim of Lone Star Milk Producers exists or will be Allowed.

This Class is Impaired.

Class 8 – Secured Claim of Frontier Capital Group, Ltd.

Frontier Capital Group, Ltd.’s Class 8 Claim shall be Allowed in the amount of \$16,700,000.¹

In exchange for the agreements and covenants of Frontier in this Plan, including the offer set forth herein to contribute to the funding of the Plan through the purchase of Allowed Class 15 Claims (General Unsecured) under Option 15A of the Plan, Frontier’s lien and security interest in all of its Collateral arising under the Frontier Loan Documents (the “Existing Frontier Collateral”) shall be deemed and treated as valid, subsisting, and non-avoidable. Frontier shall retain its liens in the Existing Frontier Collateral and in the proceeds thereof.

Frontier’s Class 8 Claim shall be evidenced by two (2) promissory notes, a New Note (“the New Frontier Secured Note”) and a Milk Note (“the New Frontier Milk Note”). The New Frontier Secured Note shall be dated as of the Effective Date of the Plan bearing interest and payable as follows:

- a. 3.25% interest per annum and payable in monthly installments of \$95,000.00 each for months 1 – 12.
- b. 4.25% interest per annum and payable in monthly installments of \$115,000.00 each for months 13 – 24.
- c. 5.5% interest per annum and payable in monthly installments of \$135,000.00 each for months 25 – 60.

¹ Frontier Capital Group, Ltd. (“Frontier”) holds a total claim in this case of \$27,041,479.91. The claim shall consist of an allowed secured claim in the amount of \$16,700,000 and an unsecured deficiency claim in the amount of \$11,041,479.91. Class 8 consists of and addresses the treatment of Frontier’s allowed secured claim in the amount of \$16,700,000. Frontier’s unsecured deficiency claim in the amount of \$11,041,479.91 shall be classified and treated in Class 13 (Frontier Unsecured) hereinafter.

- d. Prime² + 3.0% (currently 3.25 + 3.0 = 6.25%) interest per annum with variable payments adjusted annually for months 61 – 180.

The amount of the New Frontier Secured Note shall be in the principal amount of \$16,000,000. The monthly payments shall begin on the same day of the month following the date of the New Frontier Secured Note with the amount of each payment being applied first to accrued interest and then to principal.

The New Frontier Secured Note shall be secured by, and Frontier shall retain, a senior lien on the following property more particularly described by metes and bounds in that certain Deed of Trust, Assignment, Security Agreement, and Financing Statement dated September 14, 2010 and recorded in the Official Public Records of Deaf Smith County, Texas, to-wit:

TRACT ONE: 158.38 acres out of the Northeast Quarter of Section 96, Block K-3, Certificate No. 911, in Deaf Smith County, Texas; and

TRACT TWO: A 67.77 acre tract, more or less, out of a part of a tract known as the South half of the East 164.22 acres of the North half of Section 72, Block K-3, Certificate No. 923 of the A.B.&M. Surveys in Deaf Smith County, Texas.

TRACT THREE: A 2.464 acre tract, more or less, out of the Northeast part of a tract known as the South Half of the East 164.22 acres of the North Half of Section 72, Block K-3, Certificate No. 923 of the A.B.&M. Surveys in Deaf Smith County, Texas.

Frontier's Allowed Secured Claim and the New Frontier Secured Note evidencing same shall be further secured by, and Frontier shall retain its security interest in, all of the personal property Collateral more particularly set forth in the Existing Frontier Loan Documents (including, without limitation, that certain Security Agreement entered into and dated September 14, 2010 between Debtor and Frontier), with the Collateral consisting of, but not being limited

² The "prime" rate shall be the rate published as the prime rate of interest in the Wall Street Journal, Southwest Edition.

to, a senior security interest in Debtor's farm machinery and equipment, accounts and other receivables and rights to receive payment, commercial dairy equipment and fixtures, all Farm Products (as defined in the Existing Frontier Loan Documents), including, without limitation, all livestock, milk, crops, whether growing, grown, to be grown, or harvested, and all products and proceeds of such Farm Products, all fixtures, general intangibles (including equities in cooperatives), book credits, cash and cash equivalents, and all deposit accounts. Said security interest shall be senior, valid, and subsisting as hereinbefore and hereinafter set forth.

Frontier's lien on the above described real estate and its security interest in the above referenced and described personal property shall be evidenced by, and Debtor shall execute and deliver to Frontier, a new Deed of Trust, Assignment & Security Agreement, a Security Agreement, and a UCC-1 Financing Statement to be recorded in the office of the Texas Secretary of State, an Assignment of Proceeds of Dairy Products, and a Loan Agreement, all in form and substance similar to the Existing Frontier Loan Documents. With regard to the new Loan Agreement to be entered into by Debtor and Frontier, including the New Frontier Secured note, the same shall be modified to further provide that Debtor shall maintain the value and size of its livestock/dairy herd contemplated by this Plan, subject to any other stipulations and agreements entered into by Debtor and Frontier, in writing, and Debtor shall further provide monthly operating reports to Frontier regarding its operations, income, and expenses, as well as the value of its current assets and amount of its current liabilities, and specifically the value of Frontier's collateral, said monthly operating reports to be sent to and received by Frontier on or before the 20th day of the month following the preceding month covered by the reports. Further, Frontier shall have the right to inspect Debtor's operations periodically on reasonable notice.

Additionally, up to two (2) inspection fees may be charged Debtor, provided that the actual reimbursed cost of each inspection cannot exceed \$3,500.00.

The New Frontier Milk Note shall be dated as of the Effective Date of the Plan bearing interest and payable as follows:

- a. 5.0% interest per annum and payable in monthly installments of principal and interest in the amount of \$5,800 for each for months 1 – 60.
- b. Prime + 3.0% (currently 3.25 + 3.0 = 6.25%) interest per annum with variable payments adjusted annually for months 61 – 120.

The amount of the New Frontier Milk Note shall be in the principal amount of \$700,000. The monthly payments shall begin on the same day of the month following the date of the New Frontier Milk Note with the amount of each payment applied first to accrued interest and then to principal. All collateral securing the New Frontier Secured Note shall also secure The New Frontier Milk Note.

On the anniversary date of the Effective Date of the Plan, and the anniversary of that date each year thereafter, Debtor will pay Excess Cash Flows to Frontier, the amount paid to be applied to first to the outstanding principal on the New Frontier Milk Note and then to the outstanding principal on the New Frontier Secured Note; however, the payment to Frontier from Excess Cash Flows shall be limited to \$1 million on each anniversary date. “Excess Cash Flows” is defined as any amount generated per annum after allowing for a \$2 million cash or operating reserve. For example, if on the anniversary date of the Effective Date of the Plan, Debtor shall have a cash or operating reserve of \$2,500,000.00, \$500,000.00 shall then be paid immediately to Frontier to be applied first to the principal of the New Frontier Milk Note and then to the principal of the New Frontier Secured Note. For purpose of illustration, if the Excess Cash Flow payment each year is in the amount of \$500,000, the New Frontier Milk Note will be

fully paid after twenty-four (24) months and the New Frontier Secured Note will be fully paid after one hundred twenty-eight (128) months.

If Debtor timely pays Frontier the amount due on the New Frontier Secured Note and complies with the covenants, terms, and conditions set forth in the New Loan Agreement and the other Collateral documents above referenced, then, as more particularly specified in Class 13 (Frontier Unsecured Claim), Debtor shall not be obligated to make any payment on Frontier's Class 13 Claim.

This Class is Impaired.

Class 9 – Secured Claim of Gavilon Ingredients, LLC

Gavilon Ingredients, LLC has filed a Claim in the amount of \$270,457.32 secured by an interest in Debtor's livestock. Debtor opposes the allowance of Gavilon Ingredients, LLC's Class 9 Claim. The Debtor asserts that Gavilon's purported security interest is avoidable as a preference under 11 U.S.C. 547 and should be disallowed in its entirety.

The Court has approved an agreement between the Debtor and Gavilon Ingredients, LLC concerning Gavilon Ingredients' claim. The agreement provides that upon confirmation of a Plan providing that all payments³ made to Gavilon Ingredients by the Debtor within the ninety (90) days preceding the Petition Date are deemed unavoidable, Gavilon Ingredients' claim shall be disallowed as a Class 9 (secured) claim; however, Gavilon Ingredients shall be allowed a Class 15 (unsecured) claim in the amount of \$270,457.32.

This Class is Impaired.

³ This reference to "payments" concerns only payments of funds from Friendship Dairies to Gavilon Ingredients. The statutory lien claimed by Gavilon Ingredients is not deemed unavoidable by this provision. By virtue of the referenced agreement between the parties, the statutory lien claimed by Gavilon Ingredients is deemed disallowed upon plan confirmation.

Class 10 – Secured Claim of Dimmitt Flaking, LP

Dimmitt Flaking, LP has filed a Claim in the amount of \$514,240.80 secured by an interest in Debtor’s livestock. Debtor opposes the allowance of Dimmitt Flaking, LP’s Class 10 Claim. The Debtor asserts that Dimmitt Flaking’s purported security interest is avoidable as a preference under 11 U.S.C. 547 and should be disallowed in its entirety.

The Court has approved an agreement between the Debtor and Dimmitt Flaking, LP concerning Dimmitt Flaking’s claim. The agreement provides that upon confirmation of a Plan providing that all payments⁴ made to Dimmitt Flaking by the Debtor within the ninety (90) days preceding the Petition Date are deemed unavoidable, Dimmitt Flaking’s claim shall be disallowed as a Class 10 (secured) claim; however, Dimmitt Flaking shall be allowed a Class 15 (unsecured) claim in the amount of \$514,240.80.

This Class is Impaired.

Class 11 – Secured Claim of Underwood Law Firm

The Underwood Law Firm’s Class 11 Claim shall be Allowed in the amount of \$358,650. The Underwood Law Firm shall retain its liens in the collateral described in the pre-petition loan and security agreements and in the proceeds thereof. This Claim is Fully Secured.

Underwood Law Firm shall receive payment of its Allowed Class 11 Claim, in full, with interest at the rate of three percent (3%) per annum. This Claim shall be paid in installments amortized over one hundred and twenty (120) months beginning at the later of (i) thirty (30) days after the Effective Date, (ii) the date that is twenty (20) days after the Claim becomes an Allowed

⁴ This reference to “payments” concerns only payments of funds from Friendship Dairies to Dimmitt Flaking. The statutory lien claimed by Dimmitt Flaking is not deemed unavoidable by this provision. By virtue of the referenced agreement between the parties, the statutory lien claimed by Dimmitt Flaking is deemed disallowed upon plan confirmation.

Claim, or (iii) such other treatment as may be agreed upon in writing by Underwood Law Firm.

No unsecured deficiency claim of the Underwood Law Firm exists or will be Allowed.

Payments on this Class are estimated over one hundred twenty (120) months, from May 2014 to April 2024, in the amount of \$3,463.15 per month.

This Class is Impaired.

Class 12 – Secured Claim of McFinney Agri-Finance, LP

McFinney Agri-Finance, LP's Class 12 Claim shall be Allowed in whatever amount is determined by the Court, after hearing the Debtor's objection to the Class 12 Claim. McFinney Agri-Finance, LP filed a proof of claim asserting a principal balance in the amount of \$16,408,373.40 as of the Petition Date. On or about July 31, 2013, McFinney Agri-Finance, LP was paid \$1,071,323 which was stipulated would be applied to the principal balance of the indebtedness. Therefore, the principal balance of McFinney Agri-Finance, LP's claim should be no more than \$15,337,050.40.

McFinney Agri-Finance, LP shall also be Allowed as part of its Allowed Class 12 Claim the amount of unpaid interest⁵ accruing after August 6, 2012, less payments made by the Debtor between August 6, 2012 and the Effective Date.

McFinney Agri-Finance, LP's Class 12 Claim shall be secured with its liens on the collateral described in the Deed of Trust, Security Agreement, Assignment of Rents, and Fixture Filing ("Deed of Trust") executed by the Debtor on September 4, 2008, save and except for any security interest in Debtor's milk, milk proceeds, or accounts receivable. McFinney Agri-Finance, LP's Class 12 Claim is Fully Secured.

⁵ The amount of unpaid interest shall be established in conjunction with determination of the amount of the Class 12 Claim and shall be based on whether McFinney Agri-Finance, LP is entitled to post-petition interest at the contractual default rate (11.3% per annum) or at the non-default rate (6.3% per annum).

McFinney Agri-Finance, LP's Class 12 Claim shall be evidenced by a new promissory note dated as of the Effective Date of the Plan bearing interest from the Effective Date at the initial rate of 5.0% per annum. On September 1, 2015 and September 1, 2022, the interest rate applied to the Class 12 Claim shall be adjusted. On the date of each adjustment, the new interest rate shall be 4% above the inflation indexed rate for 7-year Treasury constant maturity United States government securities in effect on the adjustment date (such rate quoted as 0.31% on August 30, 2013 per H.15 (519) Selected Interest Rates, Federal Reserve Statistical Release, September 3, 2013). Upon each adjustment, the outstanding principal balance shall be reamortized over the remainder of the 240 month amortization period, and the combined monthly payment of principal and interest shall be modified accordingly. Upon each adjustment, the final balloon payment date shall remain unchanged. However, should the Court determine that 5.0% per annum is not a proper initial interest rate or that 4% above the inflation indexed rate for 7-year Treasury constant maturity United States government securities is not a proper adjusted interest rate in accordance with the Bankruptcy Code, then the promissory note shall bear interest from the Effective Date at a rate determined by the Court to conform to the Code, as interpreted by the United States Supreme Court in *Till v. SCS Credit Corp.*, 541 U.S. 465, 479-480 (2004) and by the Fifth Circuit Court of Appeals in *Matter of Texas Grand Prairie Hotel Realty, LLC*, 710 F.3d 324, 330 (5th Cir. 2013).

McFinney Agri-Finance, LP shall receive payment of its Allowed Class 12 Claim, in full, in installments amortized over two hundred and forty (240) months, with monthly payments commencing on the 1st day of the month next following the Effective Date, and with a balloon payment for the outstanding unpaid balance on the first (1st) day of the one hundred and eightieth (180th) month after the Effective Date.

Payments on the Class 12 Claim are estimated over one hundred eighty (180) months, from June 2014 to May 2029, in the amount of \$107,009.36 per month. This payment amount is based on a principal balance of \$16,211,980.12 as of May 1, 2014. This principal balance is calculated by adding interest from August 1, 2013 through July 31, 2013 in the amount of \$1,030,895.39 to the \$16,408,373.39 principal balance as of the Petition Date, deducting the \$1,071,323 principal payment, adding interest from August 1, 2013 through April 30, 2014 in the amount of \$720,043.00, and deducting other post-petition payments in the amount of \$876,008.66⁶. In the event the Court determines a different amount should be Allowed as the Class 12 Claim, the applicable note payment will be adjusted accordingly.⁷

The balloon payment estimated to be owed on the 180th month after the Effective Date is \$5,752,598.73.⁸ Unless Debtor is in possession of funds sufficient to pay the balloon payment by the scheduled date, at least six (6) months prior to the date the balloon payment is due, Debtor shall commence efforts to refinance the loan balance so that the balloon payment is made to the Class 12 Claimant on or before the scheduled date. By ninety (90) days prior to the date the balloon payment is due, if Debtor has not obtained a reasonably reliable loan commitment that would allow the balloon payment to be made as scheduled, Debtor will make the collateral (or a sufficient portion thereof) available for sale and will pursue liquidation of collateral (or other property) to generate proceeds adequate to make the balloon payment.

⁶ As of the date of filing this amended plan, the amount of other post-petition payments made by the Debtor is \$376,008.66. The \$876,008.66 figure contemplates additional adequate protection payments of \$100,000 per month for the months of January through May, 2014. In the event adequate protection payments are made after the filing of the Plan in a different amount, this deduction in the calculation of the note principal shall be adjusted accordingly.

⁷ For illustration purposes, should it be determined that McFinney Agri-Finance, LP is entitled to post-petition interest at the 11.3% rate, the principal balance as of May 1, 2014 would be \$17,601,613.77 and the monthly note payments would be \$116,162.86.

⁸ The balloon payment is estimated to be \$6,245,691.16 if the principal amount of the note is \$17,601,613.77.

Beginning ten (10) years after the Effective Date, the Class 12 Claimant may request the Debtor to provide it with an appraisal on its collateral. If the fair market value of the collateral is less than 120% of the note balance, Debtor shall be required to either (a) make payment sufficient to reduce the loan balance to 83.3% of the collateral value, or (b) provide additional collateral of sufficient value to provide an equity cushion of at least twenty percent (20%). If the value of the collateral shown by the appraisal exceeds the note balance by twenty percent (20%) or more, the Class 12 Claimant shall reimburse Debtor for the cost of the appraisal.

All interest accruing on the loan between Debtor and McFinney Agri-Finance, LP between August 6, 2012 and the Effective Date shall be at the non-default rate (6.3% per annum), unless determined otherwise by the Court. No part of the pre-payment fee described in the September 4, 2008 promissory note shall be Allowed as part of the Class 12 Claim; however, should Debtor make any advance payment of principal prior to September 1, 2015, except for amounts equal to or less than 10% of the then outstanding principal balance during the month of September, 2014, McFinney Agri-Finance, LP shall be entitled to charge a prepayment fee on the amount of the prepayment.

The prepayment fee, if any, shall be calculated as follows:

- (a) If 4% above the inflation indexed rate for 7-year Treasury constant maturity United States government securities on the prepayment date is greater than 6.3%, the prepayment fee is zero;
- (b) If 4% above the inflation indexed rate for 7-year Treasury constant maturity United States government securities on the prepayment date is less than 6.3%, the prepayment fee shall be difference between (i) the discounted present value of the interest that would be earned on the outstanding principal balance at the rate of 6.3% between the prepayment date and September 1, 2015 and (ii) the discounted present value of the interest that would be earned on the outstanding principal balance at 4% above the inflation indexed rate for 7-year Treasury constant maturity United States government securities on the prepayment date between the prepayment date and September 1, 2015;

- (c) The discounted present values shall be calculated using 4% above the inflation indexed rate for 7-year Treasury constant maturity United States government securities as the discount rate.

The terms of payment and the terms of the lien retained by McFinney Agri-Finance, LP shall be documented in a promissory note and deed of trust to be executed by Friendship Dairies commencing on the Effective Date. The form of the promissory note and deed of trust shall incorporate the provisions of this Plan, but otherwise shall conform to that promulgated by the State Bar of Texas for non-homestead real estate financing transactions.

If desired by the Class 12 Claimant, the deed of trust will provide that it represents a renewal, extension, and modification of the September 4, 2008 deed of trust. Upon request from the Class 12 Claimant, Debtor shall take all steps reasonably necessary to maintain the existing title insurance on the real estate securing the Class 12 Claim. In the event a new policy of title insurance is required due to the form of the loan documents contemplated by this Plan, Debtor shall provide mortgagee title insurance coverage to the Class 12 Claimant at Debtor's expense.

This Class is Impaired. No unsecured deficiency claim of McFinney Agri-Finance, LP exists or will be Allowed.

Class 13 - Unsecured Claim of Frontier Capital Group, Ltd.

Frontier's Class 13 Claim shall be Allowed in the amount of \$11,041,479.91. Frontier's Allowed Class 13 Claim is unsecured.

As long as Debtor is timely making the payments due on the New Frontier Secured Note as provided for and set forth in Class 8 above, is not otherwise in default of the non-monetary covenants set forth in the Collateral documents providing for the security for the New Frontier Secured Note, and as long as Debtor is otherwise not in default in the other terms, provisions, and covenants set forth in this Plan, including, but not limited to, the payments to be made

creditors holding Allowed Class 15 Claims (General Unsecured), then no payments shall be owed Frontier on its Class 13 Claim. Further, if all obligations arising under the New Frontier Secured Note are paid in full, then and upon the full payment of same, no payment shall be required on Frontier's Class 13 Claim and the Class 13 Claim shall be deemed to be fully satisfied. However, if Debtor defaults under the New Frontier Secured Note, and such default is not cured within fifteen (15) days after notice to cure (or within such other time as is acceptable to Frontier), or if this case is dismissed or converted to a case under Chapter 7, then Frontier shall be permitted to enforce its Class 13 Claim on a *pari passu* basis with the Class 15 Claims.

This Class is Impaired.

Class 14 – General Unsecured Claims – Affiliated Entities & Persons.

This Class consists of the pre-petition Claims of Jakob VanDerweg, Patrick VanAdrichem, and Linda VanAdrichem. These Claims shall be Allowed in the amount of \$25,000 to Jakob VanDerweg and \$28,000 to Patrick and Linda VanAdrichem. These Claims are unsecured.

The holders of the Allowed Class 14 Claims shall retain their claims against the Debtor. After all Allowed Claims of Class 15 (General Unsecured) claimants have been satisfied, the holders of Allowed Class 14 Claims may request payment from the Debtor. Upon such request, Debtor shall pay the Claims of the Class 14 claimants as available cash permits, but within ninety (90) days after the request for payment.

This Class is Impaired.

Class 15 – General Unsecured Claims

Allowed Class 15 Claims are estimated to total approximately \$3,294,334.51⁹ of trade payables.

Holders of Allowed Class 15 Claims shall be permitted to elect treatment under Option 15A or Option 15B. Any holder of an Allowed Class 15 Claim shall be treated under Option 15B unless such holder makes a timely election for treatment under Option 15A.

Holders of Allowed Class 15 Claims preferring treatment under Option 15A (described below) must elect such treatment on the Class 15 Ballot for accepting or rejecting the plan and returning such Ballot by the Voting Deadline. The making of such election under Option 15A by a holder of an Allowed Class 15 Claim shall be deemed to constitute such holder's consent to treatment of its entire Allowed Class 15 Claim under Option 15A.

Should the Plan be "crammed down" over the rejecting vote of Class 15 pursuant to § 1129(b), the Debtor still shall honor the election of each holder of a Class 15 Claim that timely elects treatment under Option 15A. Therefore, it is important that any holder of an Allowed Class 15 Claim who votes to reject the Plan still make an election under Option 15A if such holder prefers treatment under Option 15A over the treatment provided under Option 15B should the Plan be confirmed despite such holder's negative vote.

A. OPTION 15A: 30% Cash Distribution from Sale of Claim to Frontier

As a part of this Plan, the Debtor is authorized to tender an offer on behalf of Frontier for the purchase of any Allowed Class 15 Claim. Frontier's offer is to pay, in cash, an amount equal

⁹ This amount also presumes all amounts claimed as administrative priority claims under 11 U.S.C. § 503(b)(9) are allowed as claimed. This amount could increase by the amount of any disallowed § 503(b)(9) claim. This amount also does not include any increase to the claim of any Class 15 claimant to which the claimant may be entitled upon disgorgement of a preferential transfer payment. This amount includes \$270,457.32 for Gavilon Ingredients and \$514,240.80 for Dimmitt Flaking.

to thirty percent (30%) of the holder's Allowed Class 15 Claim. Payment is to be made on the later of (i) sixty (60) days after the Effective Date or (ii) fourteen (14) days after the claim is Allowed as a Class 15 Claim. No Class 15 Claim shall be eligible for purchase under Option 15A until all potential preference claims against the holder of such Class 15 Claim, as set forth in Article X.D of the Plan shall have been disposed of, compromised, or settled. This offer by Frontier constitutes, in part, consideration for the treatment of Frontier's Class 8 Claim as secured, valid, subsisting, and non-avoidable. Upon Frontier's purchase of any Class 15 Claim under this Option 15A, Frontier shall be entitled to receive distributions on such purchased Claim under Option 15B hereof; however, any claim purchased by Frontier shall be deemed satisfied and fully paid upon payment to Frontier by the Debtor in the amount of 60% of the original holder's Allowed Class 15 Claim. .

B. OPTION 15B: Deferred 100% Cash Distributions from Debtor's Cash Flow

Allowed Class 15 Claims not electing treatment under Option 15A, and Allowed Class 15 Claims purchased by Frontier under Option 15A, shall earn interest at the rate of three percent (3%) per annum and shall be paid in full, in one hundred eighty (180) monthly installments, with the first monthly installment to be due on or before the later of (i) sixty (60) days after the Effective Date; (ii) fourteen (14) days after the claim becomes an Allowed Class 15 Claim; or (iii) January 20, 2014, with like installments and payments to be due on or before the same day of each month thereafter until all Allowed Claims, including interest, are paid. Any holder of a Class 1 Claim consenting to payment contemporaneous with Class 15 shall be paid with the first moneys allocated to the payments of the claims in this Class.

Payments to this Class are estimated in the amount of \$24,692.43 per month from July, 2014 until June, 2029.

This Class is Impaired.

Class 16 – Penalty Claims

This Class consists of any fines or penalties arising prior to the Petition Date to the extent such fine or penalty is not compensation for actual pecuniary loss suffered by the holder of such Claim.

Each holder of a Class 16 Claim shall receive payment of its Allowed Claim, in full, without interest over a term of months beginning at the later of (i) the Effective Date, (ii) the date that is twenty (20) days after the Claim becomes an Allowed Claim, or (iii) August 5, 2013, and in either case ending sixty (60) months after the Commencement Date.

Payments on this Class are estimated over thirty-nine (39) months, from May 2014 to July 2017, in the amount of \$1,416.85 per month.

This Class is Impaired.

Class 17 – Equity Holders

Friendship Dairy's partners shall retain their partnership interests. The partners shall continue to receive draws and other benefits consistent with and comparable to those provided prior to and subsequent to the Petition Date.

This Class is Unimpaired.

Class 18 – Co-Obligor Claims

This Class consists of those Claims for which the Debtor has liability, but for which another entity has undertaken the primary payment obligation. Any Class 18 Claim shall be excluded from both Class 14 and Class 15.

Should the primary obligor fail to make the regularly scheduled payments in accordance with the applicable loan documents, the Debtor shall make the required payments. In the event

the Debtor is required to make any payments under this Class, it shall have the right to recoup such payments from the primary obligor and shall have the right of subrogation against any assets of the primary obligor or other collateral securing the indebtedness owed the Holder of a Class 18 claim.

The Debtor is unaware of the existence of any Class 18 Claims at this time.

Class 19 – Subrogation Claims

This Class consists of any Claims of the Debtor's partners (including Patrick VanAdrichem's spouse) arising out of their contingent liability to the Debtor's creditors by virtue of any of them having personally guaranteed an obligation of the Debtor or by virtue of the liability of a partner in a general partnership for the liabilities of the partnership. This Class also includes any Claims by a partner (or a partner's spouse) resulting from a transaction having been undertaken by the partner for or on behalf of the Debtor but which transaction was recorded in the partner's individual name.

The holders of all Allowed Class 19 Claims shall retain their Claims against the Debtor. After all Allowed Claims of Class 15 (General Unsecured) claimants have been satisfied, the holders of Allowed Class 19 Claims may request reimbursement from the Debtor for any amount paid by the Claimant on an obligation of the Debtor's. Upon such request, Debtor shall pay the claim of the Class 19 claimant as available cash permits, but within ninety (90) days after the request for payment.

This Class is impaired.

VI. PROVISIONS APPLICABLE TO ALL SECURED CLAIMS

Each holder of an Allowed Secured Claim shall receive either (a) the value of such holder's Allowed Secured Claim or (b) the indubitable equivalent of such holder's claim. Any

provision of this Plan which prevents a holder of an Allowed Secured Claim from realizing, at a minimum, the indubitable equivalent of such holder's claim shall be inapplicable and unenforceable as to such creditor. Should the Court deem any provision of this Plan as unfairly discriminatory, unfair and inequitable, or depriving a secured creditor of the indubitable equivalent of such creditor's claim, the Court is authorized, in conjunction with confirming this Plan, to condition confirmation on the modification or reformation of such provision to the extent necessary to meet the Bankruptcy Code's requirements for plan confirmation. All Oversecured Claims shall include post-petition interest (at the applicable legal rate) and reasonable attorneys' fees except that, should the inclusion of post-petition interest and reasonable attorneys' fees cause the total Claim amount to exceed the value of the holder's Collateral, then such Claim shall be limited to the Collateral Value (with the Collateral Value determined as of the Effective Date of the Plan).

Any creditor holding an Allowed Secured Claim desiring to charge the Debtor with any portion of the attorneys' fees incurred in conjunction with this case must comply with the procedure set forth in this Article. Within thirty (30) days after the Effective Date, such creditor shall provide the Debtor with copies of all invoices for legal fees containing any portion of the fees sought to be imposed on the Debtor. The individual time entries must contain sufficient detail for the Debtor to reasonably ascertain the nature of the services for which payment is requested and the charges incurred for those respective services. Any time entries considered by the creditor as containing insufficient detail shall be supplemented by a statement itemizing and describing the legal services provided and the charges for those services sufficient for the Debtor to evaluate the reasonableness and necessity of the charges in the representation of the creditor. The Debtor shall not have any obligation to pay the charges for any billing entry that is redacted

on the invoice provided. Within twenty-one (21) days after receiving copies of the invoices and any supporting statements, the Debtor shall file an objection with the Bankruptcy Court as to any attorneys' fees not deemed by the Debtor as reasonable and necessary for the representation of the secured creditor in this proceeding. Such objection will be heard and resolved by the Bankruptcy Court as part of its ordinary business.

Any amount for attorneys' fees deemed by the Debtor or determined by the Bankruptcy Court as reasonable and necessary in accordance with 11 U.S.C. § 506(b) shall be allowed as part of such secured creditor's Allowed Secured Claim, provided the total Allowed Secured Claim may not exceed the Collateral Value. All amounts allowed for attorneys' fees shall earn interest from the Effective Date at the same rate as the respective creditor's Allowed Secured Claim.

If the aggregated total of all allowed claims for attorneys' fees is \$700,000 or less, Debtor shall allocate a monthly \$10,000 payment to the payment of those claims. The \$10,000 payment shall be prorated between the secured creditors having allowed claims for attorneys' fees on the basis of the amount of attorneys' fees allowed. Once prorated, each respective creditor shall be paid over the term of months dictated by the payment amount and the interest rate.¹⁰

If the aggregated total of all allowed claims for attorneys' fees exceeds \$700,000, the amount of attorneys' fees allowed each respective creditor shall be paid in equal monthly payments based upon an eighty-four (84) month amortization with interest as provided above.

¹⁰ By way of illustration, assume Creditor A is allowed attorneys' fees of \$100,000 and its Allowed Secured Claim earns interest at the rate of 6.5% per annum while Creditor B is allowed attorneys' fees of \$300,000 and its Allowed Secured Claim earns interest at the rate of 5.0%. First, the \$10,000 monthly payment would be allowed \$2,500 to Creditor A and \$7,500 to Creditor B. Second, Creditor A would be paid over 46 months (45 payments of \$2,500 and a final payment of \$512.36) and Creditor B would be paid over 45 months (44 payments of \$7,500 and a final payment of \$6,364.04).

VII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Darrel Bartels

This executory contract covers the Debtor's lease of a feedlot facility. This contract will be assumed.

B. Lone Star Milk Producers

This is the Debtor's milk delivery contract. This executory contract will be assumed in accordance with the provisions of Class 7 hereof.

C. Milk Income Loss Contract (MILC)

This executory contract has been fully performed and is now moot.

D. DCP and ACRE Contracts

The Debtor had five (5) of these contracts, one for each of five separate parcels of farmland. These executory contracts have been fully performed and are now moot.

E. Black Ridge Dairy, LLC

This executory contract will be assumed.

F. John Deere Risk Protection, Inc.

This executory contract will be rejected.

G. Executory Contracts and Unexpired Leases to Be Rejected If Not Assumed

All contracts and leases of the Debtor that constituted executory contracts or unexpired leases as of the Petition Date shall be rejected as of the Effective Date, except for such contracts and leases that (a) have been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date (including the Confirmation Order), (b) have been renegotiated and assumed on renegotiated terms pursuant to order of the Bankruptcy Court entered prior to the Effective Date, (c) are the subject of a motion to assume or reject pending as

of the Confirmation Date and which shall be assumed or rejected in accordance with any Final Order on such motion, or (d) are specifically treated otherwise in this Plan or in the Confirmation Order.

H. Expired Contracts or Leases

Any contract or lease that expired pursuant to its terms prior to the Effective Date, and that has not been assumed or rejected by Final Order prior to the Effective Date, is hereby specifically rejected.

I. Scheduled Contracts and Leases

All contracts, leases, and other obligations listed on Schedule G of the Debtor's Bankruptcy Schedules shall be deemed to be, and shall be treated as though they are, executory contracts and unexpired leases.

J. Claims Arising from Assumption or Rejection

All Allowed Claims arising from the rejection of an executory contract or unexpired lease shall be treated as General Unsecured Claims pursuant to respective section of this Plan unless otherwise ordered by Final Order of the Bankruptcy Court; and all other Allowed Claims relating to an executory contract or unexpired lease shall have such status as to which they may be entitled under the Bankruptcy Code as determined by Final Order of the Bankruptcy Court. Any Claim arising from rejection shall be forever barred and shall not be enforceable against the Debtor unless a proof of claim is filed and served on the Debtor within thirty (30) days after the Effective Date.

VIII. GENERAL PROVISIONS GOVERNING DISTRIBUTIONS

A. Distribution Responsibility

Subject to the specific treatment provisions of Article V, the Debtor shall be responsible for and shall be obligated to make, or administer where appropriate, all distributions required under this Plan, except for payments made under Option 15A to holders of Class 15 Claims, which payments shall be made directly by Frontier.

B. Payment/Delivery Agents

The Debtor, or such payment/delivery agent(s) as it may in its sole discretion employ, shall make all distributions and deliveries required to be made under this Plan, except for payments made under Option 15A to holders of Class 15 Claims, which payments shall be made directly by Frontier.

C. Date of Distributions

Distributions pursuant to this Plan shall be made on the date specified in Article V, or any other payment or delivery date established in Section A hereof. Payments to normal post-petition course of business claimants shall be made according to the terms of the Debtor's post-petition agreements with such claimants. Distributions to be made pursuant to this Plan on a specified date shall be deemed made on that date if made no later than three (3) days after such date.

D. Cash Payment

Cash payments made pursuant to this Plan shall be in U.S. funds, by check drawn on or electronic funds transfer from a domestic bank, or by wire transfer from a domestic bank.

E. One Distribution Per Holder

If the holder of a Claim holds more than one Claim in any one class, all Claims of such holder in such class may be aggregated and deemed to be one Claim for distribution purposes, and only one distribution or delivery may be made with respect to the single, aggregated Claim.

F. Delivery of Distributions

Distributions to holders of Allowed Claims shall be made at the addresses set forth on the proofs of claim filed by such holders (or at the last known addresses of such holders if no proof of claim is filed or if the Debtor has been notified of a change of address); provided, however, that for purposes of distributions under Option 15A, the address listed on the Ballot shall be address to which distributions are made unless Frontier is notified otherwise in writing. If any holder's distribution is returned as undeliverable, or is not sent because no address is available, no further distributions to such holder shall be made unless and until the Debtor (or a payment agent, if applicable) is notified of such holder's then-current address on or within ninety (90) days from the date such distribution is made, at which time all missed distributions shall be made to such holder. Counsel for the Creditors' Committee shall be notified of any distributions under Option 15A that are returned as undeliverable. Amounts in respect of undeliverable distributions made through a payment agent shall be returned to the Debtor (or to Frontier in the case of distributions under Option 15A), and remain with the Debtor or Frontier, as the case may be, until such distributions are claimed. Any undeliverable distribution not claimed within 180 days after the distribution date shall revert to the Debtor (or to Frontier in the case of distributions under Option 15A). The claim of any holder with respect to such property, or the claims of any state under its unclaimed property laws with respect to such property (which state shall not be

deemed a holder of a Claim under such laws for purposes of this Plan), shall be discharged and forever barred.

G. Time Bar to Cash Payments

Checks issued by the Debtor, or by a payment agent on its behalf, in respect to Allowed Claims shall be null and void if not cashed within ninety (90) days of the date of issuance thereof. Requests for reissuance of any check shall be made directly to the Debtor.

H. Effect of Preconfirmation Distributions

Nothing in this Plan shall be deemed to entitle the holder of a Claim that received, prior to the Effective Date, full or partial payment of such holder's Claim, by way of settlement or otherwise, pursuant to an order of the Bankruptcy Court, provision of the Bankruptcy Code, or other means, to receive a duplicate payment in full or in part pursuant to this Plan. All such full or partial payments shall be deemed to be payments made under this Plan for purposes of satisfying the obligations of the Debtor hereunder.

I. Prepayment

Unless this Plan otherwise provides, the Debtor shall have the right to prepay, without penalty, all or any portion of any Allowed Claim at any time.

J. Elections

To the extent this Plan provides for an election to be made by the holder of a claim, such election shall be made by the time for serving ballots accepting or rejecting the Plan. Those holders not entitled to vote must still serve any election concerning the potential treatment of such holder's claim by the voting deadline. No election shall be deemed to be made unless it is affirmatively expressed by the voting deadline.

K. Minimum Distribution Amount

The Debtor may pay any Allowed Claim in full if the balance of that claim is \$25.00 or less. The Debtor shall not be required to make any payment in an amount less than \$10.00 on any Claim. For any claim for which a payment is due in an amount less than \$10.00, the Debtor may withhold payment until the payment due has accumulated an amount equal to at least \$10.00. Notwithstanding the foregoing, the Debtor shall make at least one payment per year on each Allowed Claim.

IX. GENERAL PROVISIONS FOR OBJECTING TO CLAIMS AND RESOLVING AND TREATING CONTESTED AND CONTINGENT CLAIMS

A. Objection and Amendment Deadline

As soon as practicable, but in no event later than forty-five (45) days after the Effective Date, objections to Claims shall be filed with the Bankruptcy Court and served upon the holders of each of the Claims to which objections are made. All parties must file any amendment or modifications to their proofs of claim on or before the Effective Date.

B. Prosecution of Objections

The Debtor shall have the sole responsibility for litigating, withdrawing, or resolving all objections to Claims after the Effective Date.

C. No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no payments shall be made with respect to all or any portion of a Contested Claim unless and until all objections to such Contested Claim have been determined by Final Order. For any portion of a Contested Claim that is allowed by Final Order, the Debtor (or Frontier in the case of Claimants making a timely election under Option 15A) shall distribute such funds as would be required to restore the Claimant to the

position it would have been in had its Allowed Claim been allowed as of the Effective Date. Such payment shall be made on or before the date when the next scheduled distribution to claimants in the same Class as the affected Claimant is due (or within fourteen (14) days after the Contested Claim becomes an Allowed Claim in the event of distributions by Frontier under Option 15A).

D. Disallowance of Postpetition Additions

The Debtor shall not be required to make specific objections to proofs of claim that allege a right to recover postpetition interest, penalties, fees, and other accruals with respect to prepetition claims which are prohibited under Bankruptcy Code § 502 (except secured claims entitled to such accruals pursuant to Bankruptcy Code § 506(b)), and any claim amounts attributable to such postpetition interest, penalties, fees, and other accruals shall be disallowed in full upon entry of the Confirmation Order.

X. MEANS FOR IMPLEMENTATION OF THE PLAN

A. Revesting of Assets

Upon the Effective Date, Debtor shall be revested with all of its assets, subject only to liens and claims set forth in this Plan, and shall be entitled to manage its affairs without further order of the Court. Notice of the occurrence of the Effective Date shall be filed with the Court and mailed to all Persons entitled to distributions under the Plan within three (3) days following the occurrence thereof.

The Debtor's operations shall be continued to be managed by Jakob VanDerweg and Patrick VanAdrichem.

B. Prohibition Against Discriminatory Treatment of the Debtor

A governmental unit may not deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, or discriminate with respect to such a grant against, the Debtor, or another Person with whom the Debtor has been associated, solely because of the commencement, continuation, or termination of the Chapter 11 Case or because of any provision of this Plan or the legal effect of this Plan. The Confirmation Order shall constitute an express injunction against any such discriminatory treatment by a governmental unit.

C. Discharge of Debtor

The Debtor and Reorganized Debtor shall be discharged as of the Confirmation Date from all claims and interests to the extent permitted by the Bankruptcy Code and except as expressly provided in this Plan.

D. Preservation and Post-Effective Date Ownership and Management of the Debtor's Claims, Demands, and Causes of Action

Subject to the provisions of this Plan, all claims, demands, and causes of action held by, through, or on behalf of the Estate against any other Person are hereby preserved in full and no provision of this Plan shall impair the rights of the Debtor, as applicable, with respect to any such claims, demands, or causes of action. The Plan shall not impair the claims, demands, or causes of action of any party against any Person to the extent such claims, demands, or causes of action consist of the assertion of the individual rights, if any, of the party asserting the claims, demand, or causes of action. All claims for recovery against any party not released in and by virtue of this plan arising under any of Bankruptcy Code §§ 544, 545, 546, 547, 548, 549, 550, 551, or 553(b), are preserved notwithstanding the occurrence of the Effective Date by and in the

name of the Debtor and Reorganized Debtor or its designee and shall be managed solely by the Reorganized Debtor for the benefit of the holders of Class 15 Claims under Option 15B (excluding Frontier, who shall have no right to share in any such recoveries on account of its holding any Class 15 Claims obtained through purchase under Option 15A or otherwise).

Potential Preference Claims

Notwithstanding the foregoing, the Debtor has identified certain transactions occurring within ninety (90) days prior to the commencement of its bankruptcy case that raise the possibility of an avoidable transfer under §§ 544, 545, 546, 547, 548, or 549 of the Bankruptcy Code. Those transferees and the transfers potentially avoidable are¹¹:

Frontier Capital Group, Ltd.	Perfection of contractual lien
Gavilon Ingredients, LLC	\$350,000
Gavilon Ingredients, LLC	Perfection of statutory lien
Dimmitt Flaking, LP	\$414,647.94
Dimmitt Flaking, LP	Perfection of statutory lien
ADM (Archer Daniels Midland)	\$78,326.11
Albert Schoenenberger	\$235,030.26
Alta Genetics USA, Inc.	\$22,614.72
CHS, Inc.	\$86,822.66
Commodity Specialists Co.	\$394,156.88
DBS Commodities	\$29,935.27
GEA Westfalia Surge West	\$32,691.62
H F & C Feeds	\$63,257.63

¹¹ Several potential preferential transfers in amounts less than \$20,000 are considered not to be economically feasible to pursue and have been omitted.

Ivesco Holdings, LLC	\$141,988.59
Link Feed Ingredients	\$62,738.84
Lone Star Commodities	\$80,000
Renaissance Nutrition	\$29,705.40

As previously indicated, Frontier Capital Group, Ltd. has expressed a willingness to provide funding of the Plan through its purchases of Class 15 Claims under Option 15A and not to dilute Class 15 with its Class 13 deficiency claim that is in excess of \$11,000,000. Part of its willingness not to dilute the unsecured creditors is in exchange for its potentially avoidable security interest in certain assets of the Debtor to be Allowed. Were Frontier Capital Group's security interest avoided, then instead of it having a secured claim of \$16,000,000 and the general unsecured creditors sharing a distribution of approximately \$2,700,000¹², Frontier Capital Group would have an unsecured claim of approximately \$27,000,000 and the amount required to pay general unsecured claims in full would be approximately \$29,700,000¹³. There is no realistic likelihood that the Debtor would be able to pay \$29,700,000 to its general unsecured creditors; therefore, the concession Frontier Capital Group is willing to make in order to avoid having to defend a preference action over the perfection of its contractual lien, inures materially to the Debtor's Estate and, chiefly, to the other General Unsecured Creditors.

To the extent creditors are paid in full, litigation of preference actions over potentially avoidable claims provides no benefit to the Estate and would not be pursued by the Debtor. However, at least one significant creditor, namely McFinney Agri-Finance, LLC is firmly of the position that Debtor has no feasible prospect for reorganization and that liquidation of the

¹² \$3,500,000 in the event Gavilon Ingredients and Dimmit Flaking's Claims are Allowed as Class 15 Claims.

¹³ \$30,500,000 in the event Gavilon Ingredients and Dimmit Flaking's Claims are Allowed as Class 15 Claims.

Debtor's assets is not only inevitable, but that the Debtor's fiduciary duty to its Estate demands no course of action other than the complete and immediate liquidation of the Debtor's assets.

Given the concession offered by Frontier Capital Group in satisfaction of the Debtor's potential avoidance claim against it, and given McFinney Agri-Finance, LLC's skepticism of the Debtor's prospects for reorganization and its scrutiny of the Debtor's actions, the Debtor is inclined to pursue avoidance of all potentially preferential transfers listed above. However, should the Debtor not pursue or resolve by compromise any potential preferential transfer listed above, then such claim is expressly and specifically reserved to the Reorganized Debtor and, should this proceeding ever be converted to a case under Chapter 7 of the Bankruptcy Code, to the duly appointed Chapter 7 Trustee, except the claim against Frontier Capital, provided that the Effective Date has occurred and Frontier Capital has in fact consummated the purchase of all Class 15 Claims electing treatment under Option 15A.

All preference recoveries shall be held in trust exclusively for the benefit of holders of General Unsecured Claims under Option 15B (excluding Frontier, which shall have no right to share in recoveries from preferences or other avoidance actions). Any party paying cash to the Debtor on account of any liability under 11 U.S.C. § 550 for preferential transfers or other avoidance actions and who has a right to assert a proof of claim under 11 U.S.C. § 502(h) on account of such payment must file such proof of claim with the Bankruptcy Court within thirty (30) days after entry of a Final Order establishing such liability or will be forever barred from asserting such a claim. Allowed Claims on account of payments made to discharge such liability under 11 U.S.C. § 550 shall be treated as General Unsecured Claims under Option 15B.

Several transferees listed above have negotiated for resolutions of their potential preference claim liability, subject to incorporation into this Plan and approval by the Court by

virtue of plan confirmation. The Plan hereby incorporates these settlement proposals. Upon confirmation, the potential preferential transfers discussed below shall be deemed and treated as valid, subsisting, and non-avoidable.

Archer Daniels Midland (“ADM”). Debtor’s potential preference claim against ADM is based on payments within 90 days prior to the Petition Date in the amount of \$78,326.11. ADM otherwise has an Allowed Class 15 Claim in the amount of \$49,850.45. Upon confirmation of the Plan, in full satisfaction of any potential preferential transfer liability, ADM agrees to reduce its Allowed Class 15 Claim to \$10,687.39. This settlement represents a recovery to the Estate in the amount of 50% of its potential claim against ADM without the cost, expense, delay, and uncertainty associated with litigating the claim. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

Commodity Specialists Company (“CSC”). Debtor’s potential preference claim against CSC is based on payments within 90 days prior to the Petition Date in the amount of \$180,000. CSC otherwise has an Allowed Class 15 Claim in the amount of \$324,528.93. CSC has raised the possibility that it could insulate \$50,000 of its potential preference liability under § 547(c)(4) (“New Value Defense”). Upon confirmation of the Plan, in full satisfaction of any potential preferential transfer liability, CSC agrees to reduce its Allowed Class 15 Claim to \$162,264. This settlement represents a recovery to the Estate in the amount of 90% of its potential claim against CSC without the cost, expense, delay, and uncertainty associated with litigating the claim. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

DBS Commodities (“DBS”). Debtor’s potential preference claim against DBS is based on payments within 90 days prior to the Petition Date in the amount of \$29,935.27. DBS otherwise has an Allowed Class 15 Claim in the amount of \$112,954.18. DBS has raised the possibility that it could insulate \$14,441.31 of its potential preference liability under § 547(c)(4) (“New Value Defense”). Upon confirmation of the Plan, in full satisfaction of any potential preferential transfer liability, DBS agrees to reduce its Allowed Class 15 Claim to \$105,207.20. This settlement represents a recovery to the Estate in the amount of 50% of its potential claim against DBS, net of DBS’s New Value Defense, without the cost, expense, delay, and uncertainty associated with litigating the claim. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

Dimmitt Flaking. Debtor's potential preference claims against Dimmitt Flaking are based on (a) payments within 90 days prior to the Petition Date in the amount of \$414,647.94 and (b) perfection of a statutory lien within 90 days prior to the Petition Date. Dimmitt has raised the possibility that it could insulate \$350,220.12 of its potential preference liability under § 547(c)(4) ("New Value Defense"). Upon confirmation of the Plan, in full satisfaction of any potential preferential transfer liability, Dimmitt Flaking agrees that its Class 10 (secured) Claim shall be disallowed and that its entire \$514,240.80 claim shall be Allowed as a Class 15 (unsecured) Claim. This settlement represents a compromise between complete recovery to the Estate on its potential claim for avoiding Dimmitt Flaking's statutory lien and a potential avoidance action, net of the New Value Defense, in the amount of \$64,427.82, without the cost, expense, delay, and uncertainty associated with litigating the claim. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

Gavilon Ingredients ("Gavilon"). Debtor's potential preference claims against Gavilon are based on (a) payments within 90 days prior to the Petition Date in the amount of \$350,000 and (b) perfection of a statutory lien within 90 days prior to the Petition Date. Upon confirmation of the Plan, in full satisfaction of any potential preferential transfer liability, Gavilon agrees that its Class 9 (secured) Claim shall be disallowed and that its entire \$270,457.32 claim shall be Allowed as a Class 15 (unsecured) Claim. This settlement represents a complete recovery to the Estate on its potential claim for avoiding Gavilon's statutory lien in exchange for the potential avoidance claim over payments made within the 90 days prior to the Petition Date, without the cost, expense, delay, and uncertainty associated with litigating the claims. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

GEA Farm Technologies ("GEA"). Debtor's potential preference claim against GEA is based on payments within 90 days prior to the Petition Date in the amount of \$32,691.62. GEA otherwise has an Allowed Class 15 Claim in the amount of \$64,202.40. Upon confirmation of the Plan, in full satisfaction of any potential preferential transfer liability, GEA agrees to reduce its Allowed Class 15 Claim to \$31,510.78. This settlement represents a recovery to the Estate in the amount of 100% of its potential claim against GEA without the cost, expense, delay, and uncertainty associated with litigating the claim. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

Link Feed Ingredients ("Link"). Debtor's potential preference claim against Link is based on payments within 90 days prior to the Petition Date in the amount of \$62,738.84. Link otherwise has an Allowed Class 15 Claim in the amount of \$158,989.02. Upon confirmation of the Plan, in full satisfaction of any potential

preferential transfer liability, Link agrees to reduce its Allowed Class 15 Claim to \$119,072.48. This settlement represents a recovery to the Estate in the amount of 50% of its potential claim against Link without the cost, expense, delay, and uncertainty associated with litigating the claim. Debtor is of the opinion that this settlement is in the best interest of the Estate; therefore, the settlement is hereby incorporated into this Plan.

Upon confirmation of this Plan, the settlements described above with ADM, CSC, DBS, Dimmitt Flaking, Gavilon Ingredients, GEA Farm Technologies, Link Feed Ingredients are approved by the Court and all payments by the Debtor to ADM, CSC, DBS, Dimmitt Flaking, and Gavilon Ingredients within 90 days prior to the Petition Date are deemed unavoidable. Further, upon confirmation of the Plan, the claims of ADM, CSC, DBS, Dimmitt Flaking, Gavilon Ingredients, GEA, and Link are Allowed on the basis set forth above.

E. Compliance with Tax Requirements

In connection with the Plan, the Debtor shall comply with all withholding and reporting requirements imposed by federal, state, local, and foreign taxing authorities, and all distributions hereunder shall be subject to such withholding and reporting requirements to the extent applicable.

F. Compliance with All Other Applicable Law

Except as otherwise provided in this Plan, the Debtor shall comply with any applicable law, rule, regulation, or order of a governmental authority relating to its business; provided that nothing contained herein shall require such compliance by the Debtor if any such law, rule, regulation, or order is preempted by the Bankruptcy Code or if the legality or applicability of any such law, rule, regulation, or order is being contested in good faith in appropriate proceedings by the Debtor and, where appropriate, for which an adequate reserve has been set aside on the books of the Debtor.

XI. MODIFICATION OF THE PLAN

Modifications of this Plan may be proposed in writing by the Debtor at any time before confirmation, provided that the Plan, as modified, meets the requirements of Bankruptcy Code §§ 1122 and 1123, and the Debtor shall have complied with Bankruptcy Code § 1125. This Plan may be modified at any time after confirmation and before its substantial consummation, provided that the Plan, as modified, meets the requirements of Bankruptcy Code §§ 1122 and 1123, and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as modified, under Bankruptcy Code § 1129, and the circumstances warrant such modification. A holder of a Claim that has accepted or rejected this Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

XII. RETENTION OF JURISDICTION

The Bankruptcy Court shall retain and have exclusive jurisdiction over the Chapter 11 Case for the following purposes:

To determine any and all objections to the allowance of Claims;

To determine any and all applications for allowance of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or this Plan;

To determine any applications pending on the Effective Date for the rejection or assumption of executory contracts or unexpired leases, or for the assumption and assignment, as the case may be, of executory contracts or unexpired leases to which the Debtor may be liable, to determine the nature and existence of any executory contracts or unexpired leases, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom;

To determine any and all applications, adversary proceedings, and contested or litigated matters that may be pending on the Effective Date or filed thereafter by the Debtor pursuant to the provisions of the Bankruptcy Code;

To consider any modifications of this Plan, remedy any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order, to the extent authorized by the Bankruptcy Code;

To determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of this Plan or any Person's obligations thereunder, including payments required under Option 15A;

To consider and act on the compromise and settlement of any claim against or cause of action by or against the Debtor's Estate;

To issue such orders in aid of execution of this Plan including any orders necessary to effectuate a transfer of Debtor's property, to the extent authorized by Bankruptcy Code § 1142;

To determine such other matters filed or to be filed relating to the Debtor which are adversary proceedings under Bankruptcy Rule 7001 including, but not limited to claims arising under Bankruptcy Code §§ 544, 545, 546, 547, 548, 549, and 550.

XIII. MISCELLANEOUS PROVISIONS

A. Headings.

The Headings in the Plan may be used to clarify or apply context to the related Plan provision.

B. Employment of Insiders.

Except for Jakob VanDerweg, Patrick VanAdrichem, and Linda VanAdrichem, no insider has been, or is expected to be, retained as an employee of the Debtor.

C. Notices.

All notices required or permitted to be made in accordance with the Plan shall be in writing and shall be delivered personally, by telephonic document transfer, or mailed by registered or certified mail, return receipt requested;

i) If to the Debtor, to Debtor's attorney, J. BENNETT WHITE, P.O. Box 6250, Tyler, Texas 75711; 1011 Pruitt Place, Tyler, Texas 75703; fax (903) 597-4330;

ii) If to a holder of an Allowed Claim or Allowed Interest, at the address set forth in its proof of claim, or the address set forth in Debtor's schedules and mailing matrix or, in the case of creditors electing Option 15A to the address set forth on the Class 15 Ballot.

iii) Notice shall be deemed given when received. Any party may change the address at which it is to receive notice under the Plan by sending written notice pursuant to the provisions of this section C to the Debtor's attorney of record.

D. Paragraph, Section, and Article References.

Unless otherwise specified, all references in the Plan to paragraphs, sections, and articles are to paragraphs, sections, and articles of the Plan.

E. Reservation of Rights.

Neither the filing of this Plan, nor any statement or provision contained herein, nor the taking by any creditor of any action with respect to this Plan shall be or be deemed to be an admission against interest and, until the Effective Date, be or be deemed to be a waiver of any right which any creditor might have against the Debtor or any of its properties or any other creditor of the Debtor, and until the Effective Date, all such rights are specifically reserved. In the event that the Effective Date does not occur, neither this Plan, nor any statement contained in

it, may be used or relied upon in any manner in any suit, action, proceeding, or controversy within or outside of the reorganization case involving Debtor.

F. Permanent Injunction.

Pursuant to 11 U.S.C. § 524, and except otherwise expressly provided in this Plan, the Confirmation Order shall provide, among other things, that all persons who have held, hold, or may hold Claims, and all persons who have held, hold, or may hold any interest, are permanently enjoined on and after the Confirmation Date from commencing or continuing any action, employing any process, or engaging in any act, to collect, recover, or offset any debt discharged by the confirmation of this Plan as a personal liability of the Debtor, whether or not discharge of such debt has been waived.

G. Term of Other Injunctions or Stays.

Unless otherwise provided, all injunctions or stays provided for in this matter pursuant to Bankruptcy Code §§ 105 or 362 or otherwise, shall remain in full force and effect until the Confirmation Date and final disposition of this matter. Any stay or injunction issued pursuant to § 105 shall be governed by the proceeding issuing such injunction or stay.

H. Governing Law.

EXCEPT TO THE EXTENT THAT THE BANKRUPTCY CODE IS APPLICABLE, THE RIGHTS AND OBLIGATIONS ARISING UNDER THIS PLAN SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

I. Successors And Assigns.

The rights and obligations of any person named or referred to in the Plan shall be binding upon and shall inure to the benefit of the successors and assigns of such person.

J. Severability.

Should any provision in this Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any and all other provisions of this Plan. Moreover, if the Bankruptcy Court will not confirm this Plan because one or more provisions hereof are determined to be prohibited or invalid under applicable law, the Debtor may seek permission of the Bankruptcy Court to amend this Plan by deleting the offending provision.

K. Claims.

Various types of Claims are defined in this Plan. This Plan is intended to deal with all Claims against the Debtor of whatever nature or character, whether or not contingent or liquidated, and whether or not allowed by the Court pursuant to § 502(a) of the Code.

L. Revocation of Plan

The Debtor reserves the right to revoke and withdraw this Plan prior to entry of the Confirmation Order. If the Debtor revokes or withdraws this Plan, or if confirmation of this Plan does not occur, then this Plan shall be deemed null and void and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtor or any other person or to prejudice in any manner the rights of the Debtor or any person in any further proceedings involving the Debtor.

XIV. DISCHARGE OF DEBTOR

A. Upon the issuance of the Order of Confirmation, and except or otherwise provided for in the Plan, the Debtor shall be discharged from all Claims and/or liabilities, as authorized by the Code.

A-1. Discharge of Claims against Debtor

Pursuant to § 1141(d)(1)(A) of the Bankruptcy Code, the Debtor shall on the Effective Date be deemed discharged from any debt, except as expressly provided in this Plan, which arose before the Confirmation Date and any debt of a kind specified in §§ 502(g), 502(h) or 502(i) of the Bankruptcy Code regardless of whether:

- a proof of claim based on such debt has been filed under § 501 of the Bankruptcy Code,
- such Claim has been allowed under § 502 of the Bankruptcy Code,
- such Claim is listed on any Schedules filed by the Debtor herein, or
- the holder of such Claim has accepted this Plan.

B. Disbursing Agent

The Debtor will act as disbursing agent for all distributions to be made under this Plan, except in respect of payments due under Option 15A, which shall be paid directly by Frontier. The disbursements to be made by the Debtor will be made by checks drawn by the disbursing agent. The Debtor shall not be liable for any acts or failures to act in its capacity as disbursing agent in the absence of proof of bad faith or gross negligence. If the Debtor is unable or unwilling to perform the duties of disbursing agent, the Court shall appoint a successor disbursing agent.

C. Prepaid Amounts

If any amount to be paid under the terms of this plan shall have already been paid, the distribution provided herein for such claimant shall be accordingly reduced.

XV. EVENTS OF DEFAULT AND REMEDIES

A. Events of Default

Should there be an occurrence of any event listed below, the Debtor shall be deemed to be in default of this Plan.

- i) Failure on the part of the Debtor to make any payment required to be made under the Plan as and when due and the continuation of such failure for a period of thirty (30) days after receipt of notice by the Debtor, unless otherwise agreed between the Debtor and the affected creditor.
- ii) An administrator, trustee, receiver, custodian, or other representative appointed by or pursuant to any legislative act, resolution, or rule, any order or decree of any court, any governmental board or agency, or any agreement takes possession or control of all or such portions of the property of the Debtor as would materially interfere with the operation of the business of the Debtor.

B. Remedies

In the event of default, notice shall be given in accordance with Article XIII.C. If the default is not cured within thirty (30) days from the date of notice, the notifying creditor shall be free to exercise all remedies provided by law, including but not limited to all remedies provided by contract, the United States Bankruptcy Code, or state law.

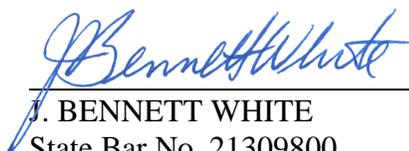
Friendship Dairies, a general partnership

BY: /s/ Jakob VanDerweg

BY: /s/ Patrick VanAdrichem

RESPECTFULLY SUBMITTED,

J. BENNETT WHITE, P.C.
1011 Pruitt Place (75703)
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J. BENNETT WHITE
State Bar No. 21309800
jbw@jbwlawfirm.com
ATTORNEYS FOR FRIENDSHIP DAIRIES

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically. As such, this document was served on all interested parties deemed to have consented to electronic service. Pursuant to Fed. R. Bankr. P. 9013, Fed. R. Civ. P. 5, and Loc. R. Bankr. P. 9007-1(e), all other interested parties not deemed to have consented to electronic service were served with a true and correct copy of the foregoing, unless noted otherwise below, by first class mail on this date, **January 14, 2014**. Those served by means other than electronic are listed in the attached mailing matrix.



J. BENNETT WHITE