

Brent T. Robinson, Esq.
ROBINSON, ANTHON & TRIBE
Attorneys at Law
P.O. Box 396
Rupert, Idaho 83350-0396
Telephone No. (208) 436-4717
Facsimile No. (208) 436-6804
Email Address: btr@idlawfirm.com
Idaho State Bar No. 1932

Attorneys for Debtor

UNITED STATES BANKRUPTCY COURT
DISTRICT OF IDAHO

In Re:)	Case No. 10-41613
)	(Chapter 11)
HOLLIFIELD RANCHES, INC.,)	
)	
Debtor.)	

DISCLOSURE STATEMENT

I. INTRODUCTION

1. GENERAL

Hollifield Ranches, Inc., hereinafter referred to as the debtor, provides this Disclosure Statement to all of its known creditors in order to disclose the information necessary for the creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance or rejection of the Plan of Reorganization on file with the United States Bankruptcy Court for the District of Idaho (Section 1125 of the United States Bankruptcy Code). The debtor's address is 22866 U.S. Highway 30, Hansen, Idaho 83334-5018. The debtor is a farmer and its farmland is all located in Twin Falls County, Idaho.

No representations concerning the debtor (particularly as to the value of its property) are authorized by the debtor other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance which are other than as contained herein should not be relied upon by you in arriving at your decision, and such additional representations and inducements should be reported to counsel for the debtor, who in turn shall deliver such information to the Court for such action as may be deemed appropriate.

Under the Plan, the claims of creditors, depending upon the classification of the respective claims (see Plan of Reorganization-Classes of Claims and Interest), will either be paid in full or part; or, have transferred to them property in which they hold a lien.

Since September 9, 2010, the debtor has operated as debtor-in-possession. When the Plan is confirmed, the debtor will continue to administer the debtor's estate in compliance therewith until such time as the necessary procedures are implemented for disposition of property and distribution of funds. Thereafter, the debtor will be revested with its property subject to the conditions and requirements of the Plan.

2. FILING OF THE CASE

On September 9, 2010, the debtor filed its Petition in the United States Bankruptcy Court under Chapter 11 of the United States Bankruptcy Code. Automatically upon such filing, the debtor became debtor-in-possession.

2A. DEFINITIONS

The debtor provides the following definitions for creditors so they can better understand the Plan:

A. "Petition" shall mean the joint voluntary petition under Chapter 11 filed with this Court on September 9, 2010.

B. "Case" shall mean the bankruptcy action filed by the debtor for reorganization of the debtor commenced by a voluntary petition under Chapter 11 on September 9, 2010, now pending in the United States Bankruptcy Court, District of Idaho.

C. "Filing Date" shall mean the date the debtor filed for relief under Chapter 11 of the United States Bankruptcy Code, or September 9, 2010.

D. "Effective Date" shall be sixty (60) days after confirmation unless there is a pending appeal regarding confirmation. If there is a pending appeal, then the effective date shall be the date the appeal is ultimately resolved.

E. "Date of Distribution" shall be that date selected by the debtor for the initial distribution under the Plan, or if the date of confirmation is after the date selected by the debtor, then the date of distribution shall be sixty (60) days after the date of confirmation, which shall be the effective date of the Plan unless otherwise indicated in the Plan.

F. "Disbursing Agent" shall mean Terry G. Hollifield, who will be duly authorized and appointed upon approval of the Plan.

3. APPROVAL OF THE DISCLOSURE STATEMENT

This Disclosure Statement, approved by the United States Bankruptcy Court in accordance with Section 1125 of the Bankruptcy Code, is provided to each creditor whose claim has been scheduled by the debtor or who has filed a proof of claim against the debtor and to each interested party of record as of the date of approval of this Disclosure Statement.

The Disclosure Statement is intended to assist creditors and parties in interest in evaluating the Plan and in determining whether to accept the Plan. Under the Bankruptcy Code, acceptance of the Plan may not be solicited unless a copy of this approved Disclosure Statement is received prior to or concurrently with such solicitation.

4. CREDITORS ENTITLED TO VOTE ON PLAN

Only votes of classes of claimants (creditors), which are impaired by the Plan or are unsecured are counted in connection with the confirmation of the Plan. Both creditors holding priority claims and debtor holding an interest will be unaffected by the Plan; therefore, their votes on the Plan are not necessary in connection with confirmation of the Plan.

5. MANNER OF VOTING

All claimants entitled to vote on the Plan may cast votes for or against the Plan by completing, dating, signing and causing the ballot form accompanied by this Disclosure Statement to be filed with the Clerk of the United States Bankruptcy Court for the District of Idaho in accordance with the Court's order. See *Order Approving Disclosure Statement, Fixing Time for Acceptance or Rejection of Plan [Return of Ballots], and Setting Date for Hearing on Confirmation*.

6. DETERMINING ACCEPTANCE OF PLAN

In determining the acceptance of the Plan, votes will only be counted if submitted

by a claimant whose claim is duly scheduled by the debtor as undisputed, non-contingent and liquidated, or who, prior to the hearing on confirmation, has filed with the Court a proof of claim which has not been disallowed or suspended prior to the computation of the vote on the Plan. A class that is unimpaired is deemed to have accepted the Plan and solicitation of acceptance is not required under Section 1126(f). The ballot form which you receive does not constitute a proof of claim. If you are in any way uncertain whether or not your claim has been correctly scheduled, you should check the debtor's schedules, which are on file in the office of the Clerk of the United States Bankruptcy Court for the District of Idaho. Due to the business of the Clerk of the Bankruptcy Court, it is believed this information will not be given by telephone.

7. HEARING ON CONFIRMATION OF PLAN

The Court will set a hearing to determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation of the Plan have been satisfied. Each claimant will receive, either with this Disclosure Statement or separately, a Notice of Hearing on confirmation of the Plan. (PRESENCE OF CREDITORS AT THE CONFIRMATION HEARING IS INVITED BUT NOT REQUIRED IN ORDER FOR THEIR BALLOT TO BE CONSIDERED.)

8. ACCEPTANCE NECESSARY TO CONFIRM PLAN

At the scheduled hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each impaired class. Under Bankruptcy Code Section 1126, an impaired class is deemed to have accepted the Plan if at least two-thirds (2/3) in amount (dollar value) and more than one-half (1/2) in number of the allowed claims of class members who have voted on the Plan, have voted for acceptance of the Plan. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Bankruptcy Court must determine

whether the Plan provides class members property of a value that is not less than the amount such class members would receive or retain if the estate of the debtor was liquidated under Chapter 7 of the Bankruptcy Code on the effective date of the Plan as set forth in Section 1129(a)(7)(A)(ii).

9. CONFIRMATION OF PLAN WITHOUT NECESSARY ACCEPTANCE

Pursuant to Bankruptcy Code Section 1129(b), the Plan may be confirmed even if it is not accepted by one or all of the impaired classes provided the Bankruptcy Court finds that the Plan does not discriminate unfairly and is fair and equitable to such class or classes. This provision requires, among other things, that the claimants (creditors) in the impaired classes must either receive the full value of the property of their claims or, if they receive less, no class with junior liquidation priority may receive anything. The debtor may choose to rely upon the provision commonly known as the "cramdown" to seek confirmation of the Plan if it is not accepted by all classes of creditors. "The test to be applied by the Court is set forth in various paragraphs of Section 1129(b)... the Court is not permitted to alter the terms of the Plan. It must merely decide whether the Plan complies with Section 1129(b). If so, the Plan is confirmed, if not, the Plan is denied confirmation." H.R. 95-595, 95th Cong., 1st Sess., 413 et seq. (1977).

II. THE PLAN OF REORGANIZATION

1. CLASSES OF CLAIMS AND INTEREST AND PAYMENT

The Plan divides the claims and interests into various and separate classes.

The classes are as follows:

Class	Creditor	Payment Amount	Term
1.	Administrative		
	(a) Attorney's Fees—Robinson Anthon & Tribe	Unknown	
	(b) Chapter 11 Quarterly Fees	Pursuant to 11 USC 1129(a)(12)	
2.	Section 507 Priority Claims	\$00	

3.	Bank of the West	\$9,162.78	2 annual
4.	Davidson & Co.	\$3,030.14	7 annual
5.	KeyBank	\$952,957.08	20 annual
6.	McCall Livestock	\$00.00	
7.	Metropolitan Life Insurance	\$29,059.81	154 months
8.	Northwest Farm Credit Service	To be paid by the partnership	
9.	Twin Falls Livestock	\$00.00	
10.	Wells Fargo Bank	\$875.88	30 months
11.	Buhl Implement Co.	\$500	17 months
12.	Agri-Stor Co. Inc./Chemical Supply Co. Inc.	\$2,112.36	7 annual
13.	Western Seeds	\$00	
14.	Valley Agronomics, LLC	\$90,210.92	7 annual
15.	Simplot Soilbuilders	\$73,216.89	5 annual
16.	CNH Capital	\$1,719.20	23 monthly, then matures on 3/26/13
17.	Unsecured Claims (It is anticipated that unsecured creditors will receive approximately 50% of their claim)	\$114,387.66	10 annual

Distributions will be made by the disbursing agent, Terry G. Hollifield, as provided in the Plan.

2. RISKS ASSOCIATED WITH THE PLAN

The Plan contemplates an effective reorganization of the debtor's property, treatment of contingent claims, treatment of certain claims upon Court approval and treatment of property returned to owners by Court approval; HOWEVER, Reorganization will commence upon the date of confirmation, the date of distribution and the effective date.

3. TREATMENT OF CLAIMS

Treatment of the various classes of claims and individual persons or entities within the class is discussed in detail in the Plan. Priority claims will be paid in full; secured debts will be paid to the extent of their values; unsecured debts will be paid (in a fair and equitable manner) to the extent the unsecured property of the estate reaches to those creditors or

that the cash flow allows, and other properties will be disbursed and addressed as approved by the Court.

4. COMPLIANCE WITH 11 U.S.C. 1129(b)

Treatment of various classes and claims comply with Section 1129(a). Notwithstanding Section 510(a), if all the applicable requirements are met other than with respect to a class or classes who have accepted the Plan or are unimpaired by the Plan, the Court, on request of the proponent of the Plan (debtor), shall confirm the Plan. The proponent deems that the Plan does not discriminate unfairly, and is fair and equitable with respect to each class of claims or interests that is impaired under the Plan even though such class may not have accepted the Plan.

III. INFORMATION PERTAINING TO DEBTOR CONSIDERED

RELEVANT TO APPROVAL OF THE PLAN

The debtor who presents this Plan for confirmation recommend an affirmative vote for acceptance of the Plan. This recommendation is based upon information contained in the following sections of the Disclosure Statement and the belief that when claims are restructured and coordinated with the liquidation values of the estate, the cash flow will sustain payments in the reorganized schedules. This Disclosure Statement provides adequate information in regard to costs of production, gross income and funds available for interest payments and debt reduction.

The debtor maintains that no creditors have had sufficient information presented to them prior to this Disclosure Statement; any previously presented Plans, disclosure statements or informational documents, including those presented at any informational meeting regarding the financial status of the debtor are to be ignored. Creditors should base decisions to vote for or against the Plan solely upon information provided herein and in the Plan itself.

IV. HISTORY OF THE DEBTOR

Hollifield Ranches, Inc., (debtor) or its predecessor, have been farming in the Magic Valley since 1972. The operation started as a row-crop farming operation with a small feedlot. The operation increased in size over the years, expanding the farming operation with additional purchases of small parcels of farm ground and more leased acres. The feedlot operation increased in size with a partnership that was later dissolved and the assets split between the owners.

The original feedlot was expanded and the new feedlot was added from the dissolved partnership.

The dairy was purchased in 2000 due to the death of the original owner. The dairy facility was upgraded after the dairy was purchased by an LLC, which was managed and partly owned by Terry Hollifield. Terry Hollifield bought out the other owners of the dairy in 2004.

Debtor had been a long-term customer of the Farm Credit System (FCS). Debtor had a past history with a loan officer that had worked for FCS and had been calling on them for his new employer – KeyBank. Debtor dairy was also looking for a long-term loan to refinance the dairy facility. MetLife's agents in Twin Falls had also been calling on debtor and Terry Hollifield about refinancing the dairy facility and Terry Hollifield's personal real estate.

Debtor, dairy, farm and cattle refinanced all of their operating and terms loans with KeyBank. Debtor-dairy refinanced the dairy facility with MetLife. In 2008, Terry Hollifield refinanced all of his personal farm real estate with MetLife.

Debtor had been working with its loan officer at the Burley Branch of KeyBank since moving accounts in 2006-07, before the loan officer was transferred to Pocatello and debtor's banking relationship was moved to the Twin Falls Branch of KeyBank.

V. STATEMENT OF FINANCIAL AFFAIRS

1. BOOKS AND RECORDS

The books and records of the debtor have been kept by and are now in the possession of the debtor.

2. BANK ACCOUNTS

Debtor maintains three cash collateral accounts at Wells Fargo Bank in Twin Falls, Idaho, and two at KeyBank.

3. SUITS PENDING

NONE

4. INCOME AND EXPENSES PAST FIVE (5) YEARS

Attached hereto are copies of the pertinent parts of debtor's income tax returns for 2004 through 2009, which show debtor's actual income and expenses for the past six years.

5. FARM LEASES

Pursuant to an Order of the Court (Doc. 170) dated January 13, 2011, the debtor was authorized to enter into leases for the Year 2011 with the following:

<u>Name</u>	<u>Farm Name</u>
Kelvon Hansen	Nebeker
Kelly, LLC	Johnson
Lien, LLC	Hranac
Lesouhs, LLC	Shouse
Gary Denney	Potestio
Tolman & Sons	Tolman
L.E. Chapin Estate	Chapin
John Coleman	Coleman
Lasko Farm, LLC	Boyd
UBS AgriVest, LLC	Lake/Simplot
Terry Hollifield	
Art Bailly	Bailly

D & H Farms	D & H
CWH Estate	Hollifield
J. Jackson	Jackson
T. Jackson	Jackson
Clare Armstrong	Armstrong
John Fayle	Moore
John Redmond	Allen
H. Russell Denton	Russell
Clear Creek Properties	Storages
Clark Bennett	Bennett
Pederson Trust	Clarke
Jack Boyd	Boyd
Peggy Kelly	Kelly
T. F. Hwy. District	Pitts
Keith Briggs	Briggs
Lattimer/US Bank	Lattimer
John Gibson	Tingey

Beet Shares
Don C. Wright
Richard Sievers

Share Crop Farms – 50/50
Dick and Mary Cook
Scott McMaster
John Metzler

6. ADMINISTRATIVE EXPENSES

Robinson Anthon & Tribe, attorneys at law, have been paid the sum of \$34,000. Of that amount \$5,198.49 was applied to pre-petition fees and costs, and the balance is being held in trust with the understanding said sum will be applied to post-petition fees and costs incurred in this case. Brent T. Robinson of the firm Robinson Anthon & Tribe is handling this matter at a rate of \$190 per hour. Any fees and costs incurred in excess of the \$28,801.51 being held in trust will be paid in full within one (1) year after the date of confirmation, but only after Court approval of the fees has been obtained.

7. FINANCIAL STATEMENTS

During the two years immediately preceding the commencement of this case,

debtor has issued financial statements to KeyBank.

8. CREDITORS HAVING PRIORITY CLAIMS

NONE

9. CREDITORS HAVING UNSECURED CLAIMS WITHOUT PRIORITY, DISPUTED

NONE

10. UNSECURED, UNCONTESTED CLAIMS

1 st Choice Service & Repair	\$662.50
A&J Farm	\$1,141.90
A. Scott Jackson Trucking	\$2,837.80
Accelerated Genetics	\$2,950.00
Adventure Motorsports	\$1,435.73
Ag-West Distributing	\$821.97
Agri-Service	\$48,165.29
Anderson Co. Trust	\$29,745.24
APEX	\$6,037.79
AT Films, Inc.	\$1,635.20
Austin Construction	\$1,206.05
Automated Dairy Systems	\$15,729.76
B&B Oil Company	\$165.00
B&R Bearing Supply	\$2,021.95
Badger Bearing PTP, Inc.	\$1,368.04
Baily's Garage & Construction	\$84,545.00
Basin Bovine Practice, P.A.	\$4,879.00
Big Sky Animal Health	\$27,983.69
Biomatrix International	\$1,325.86
Black Oil Co.	\$74,490.98
Bret Robins Farms	\$4,680.72
Butte Irrigation, Inc.	\$676.67
Carne I Corp.	\$171,470.08
CarQuest Auto Parts	\$1,838.16
Cesco	\$561.20
Circle C Equipment	\$222.22
CNH Capital	\$18,636.57
Commercial Tire	\$6,100.86
Crawford Enterprises	\$475.00
D&B Supply	\$71.58
D&H Farms	\$6,521.67
Dairy Feed Supply, Inc.	\$26,313.00
Dairy Health Services	\$1,893.41
Darling International	\$200.00

Diamond Automotive Machine	\$1,074.05
Don Shouse	\$20,544.00
Don's Irrigation LLC	\$312.49
eDairy, Inc.	\$299.00
Evans Grain, Feed & Seed	\$44,097.82
Farm Plan	\$36,409.72
Farmore of Idaho/Farmore Irrigation	\$3,411.59
Floyd Lilly Company	\$1,822.83
Franklin Building Supply	\$89.48
Garrison Electric LLC	\$1,245.00
Gary Denney	\$5,205.50
Gavilon Grain LLC/Peavey Grain	\$4,087.01
Gem State Welders Supply	\$383.63
General Implement	\$0.00
Ghost Hollow Consulting	\$1,750.00
Gier Jammers Diesel Repair	\$2,504.91
Gietzen Electric, Inc.	\$799.32
Goold Manufacturing Co.	\$954.40
Grover's Electric & Plumbing	\$554.41
Guinn Enterprises, Inc./ Guinn Trading	\$16,611.04
H.I.D. Pest Control, Inc.	\$3,990.00
Haines Auto Electric, Inc.	\$1,582.10
HCM Holmstead PLLC	\$40,935.65
Holtzen Brothers Trucking, Inc.	\$15,609.89
Horizon Milling	\$12,669.39
Idaho Hydrojetting	\$750.00
Ike Heidemann Custom Farming	\$13,597.22
Industrial Motor Supply	\$7,995.11
J&C Custom LLC	\$1,560.00
J&C Hoof Trimming, Inc.	\$2,598.61
Jack's Tire & Oil, Inc.	\$1,089.03
Ken-Spray, LLC	\$12,429.19
KeyAg Distributors	\$2,114.54
L.E. & Nancy Chapin Trust	\$5,161.10
L&R Tarp, Inc.	\$512.00
Landview, Inc.	\$511.28
Larry Hollifield Farms	\$50,465.66
Lasko Alexander Farm, LLC	\$1,263.31
Lee's Radiator	\$65.00
Lextron, Inc.	\$2,317.28
Magic Valley D.H.I.A.	\$4,403.42
Magic Valley Equipment Co.	\$605.12
Magic Valley Utility Locator	\$120.00
Mitch's Repair	\$448.00
Moser Machine Shop	\$226.25
Murphy's Services LLC	\$11,349.58

NAPA Auto Parts	\$7,224.01
Newberry Farms, LLC	\$17,096.59
Northside Implement	\$671.58
OK Auto Systems, Inc.	\$22,869.18
Pacific Steel & Recycling	\$50.05
Peavey Co.	\$418,935.75
Performance Plus Idaho LLC	\$9,586.45
Pickett Equipment	\$2,102.14
Pioneer Commodities LLC	\$12,298.70
Pioneer Equipment	\$409.46
Platt Electric	\$47.54
Progressive Bovine Supply	\$15.88
PSI Environmental Systems	\$277.20
Rangen, Inc.	\$42,891.60
Reed Grain & Bean Co.	\$131.22
Robert Harris	\$37,400.00
Rocky Mtn. Animal Care	\$18.82
Ruhter Custom Farming	\$2,161.50
Rush Truck Center	\$1,262.04
S&D Automotive	\$724.76
Scoular Company	\$34,238.70
Semex USA	\$2,600.00
Six States Distributors	\$110.65
Snake River Hydraulics	\$148.44
Sprinkler Head Rebuilders	\$1,707.25
Spudrunner, Inc.	\$5,494.86
Standard Dairy Consulting	\$8,368.94
Stastny Farms, Inc.	\$5,150.00
Suburban Propane	\$3,852.02
SUTCO, Inc.	\$31,292.00
Sweet's Septic Tank and Backhoe Services	\$7.51
Tacoma Screw Products, Inc.	\$140.05
The Sprinkler Shop, Inc.	\$9,141.72
Thomas Petroleum, dba Bowen Petroleum	\$72,718.30
Tim Hollinger	\$22,892.40
Tires West/Les Schwab	\$1,392.48
Trebar, Inc.	\$38.99
Tri-S Welding	\$3,074.12
Twin Falls Tractor and Implement Co.	\$7,422.14
Twin Falls Transfer Station	\$219.25
Twin Falls Truck & Equipment	\$74.31
U.S. Commodities, Inc.	\$255.28
United Oil	\$1,196.98
Valley Brake & Truck Parts	\$716.68
Valley View Vet Clinic/Gary E. Lewis, DVM	\$389.96
Wade Company, Inc.	\$137.50

Wagner Transportation	\$5,601.62
Walco	\$133,492.81
Walt Freestone	\$8,844.80
Watts Hydraulic & Repair	\$2,989.21
Western Ag Enterprises, Inc.	\$2,346.17
JR Simplot, dba Western Stockmen's Supply	\$213,648.01
Westway Feed Products, Inc.	\$87,945.24
Wilbourn Garage Doors	\$7,508.30
Young & Young Livestock	\$15,325.00

The unsecured creditors shall receive approximately 50% of their unsecured claim.

11. SECURED CLAIMS

Agri-Stor Co., Inc./Chemical Supply Co., Inc.	\$12,562.19
Bank of the West	\$18,325.56
Buhl Implement Co.	\$8,030.24
Davidson & Co.	\$18,020.25
KeyBank	\$12,668,960.16
Metropolitan Life Insurance	\$3,067,916.44
Northwest Farm Credit Service	\$00.00
Wells Fargo Bank	\$23,800.66
Valley Agronomics, LLC	\$536,483.68
Simplot Soilbuilders	\$321,420.43
CNH	\$39,051.13

It ultimately may be determined, however, that the claims of said creditors is partly secured and partly unsecured.

12. CREDITORS HOLDING CLAIMS THAT ARE UNDERSECURED

The debtor acknowledges the creditors holding security and accept the claims as described in the following descriptions. These claims, however, are greater than the value of the property. These claims are treated under Section 506 of the Bankruptcy Code, which reads as follows:

A. An allowed claim of a creditor secured by a lien on property in which the estate has an interest, or that is subject to setoff under Section 553 of this title, is a secured claim to the extent of the value of such creditor's interest in the estate's interests in such property, or to the extent of the amount subject to setoff, as the case may be, and is an unsecured claim to the extent that the value of such creditors' interest or the amount so subject to setoff is less than the amount of such

allowed claim. Such value shall be determined in light of the valuation and of the proposed disposition or use of such property, and in conjunction with any hearing on such disposition or use or on a Plan affecting such creditor's interest.

The debtor accepts the secured liens to the extent of the values of the properties. Liens that are greater than the value of the property shall be treated as unsecured in the amount that does not reach to the value of the property. Because these property values are less than the claims, no interest shall accrue from the date of filing on either the secured or unsecured portions of the claims.

13. INCONSEQUENTIAL OR BURDENSOME PROPERTY

The debtor intends to quitclaim its interest in property that is burdensome, inconsequential and unnecessary to an effective reorganization under Section 554 of the Bankruptcy Code. Debtor will relinquish any redemption rights it might have in the subject property and will not be subject to action for any resulting deficiency.

VI. ACCOUNTING METHOD

The debtor uses a cash basis for their accounting method. The tax years are from January 1st of each year to December 31st of each year.

VII. EXPENSES AND INCOME INFORMATION

Debtor's actual income and expenses for the years 2004 through 2009 are shown on the attached pertinent parts of debtor's taxes. Debtor's projected income and expenses are shown on the attached budget/cash flow statement. The 2011 and 2012 budgets for the dairy, farm and cattle.

1. FUNDS FOR OPERATION

The funds for operation will come from the dairy, farm and cattle operation.

2. REASONS FOR FILING BANKRUPTCY

Debtor-dairy started to have cash flow problems in 2008 when the cost of feed was very high and the price for milk dropped to under \$10/cwt. Debtor-cattle was also having cash flow problems with the high cost of feed and the falling price for livestock. Debtor-dairy and cattle supplied a monthly borrowing base to KeyBank. Mr. Hollifield had discussed the cash flow problems with KeyBank when they were working on renewal of the 2009 operating and term loans. Mr. Hollifield had also made a loan request with MetLife to increase his personal real estate loan and injected additional working capital into his operation. MetLife stopped making new real estate loans at the end of 2008 due to problems in the financial markets and the down turn in the economy. KeyBank renewed debtor-dairy, farm and cattle RLOC term loans and operating LOC without requesting any additional collateral in 2009.

In the Fall of 2009, Mr. Hollifield, after discussing his operation with the local office, requested a meeting with Randy Munk, Sr. Credit Officer – Ag, and Todd Gillespie, Credit Officer – Ag for KeyBank. At this meeting, the need for additional working capital to be injected into the operation was discussed. Mr. Munk told Mr. Hollifield that KeyBank would term out part of the short-term debt with a six-to-seven year term loan secured with a second mortgage on debtor and Terry Hollifield farming real estate. After the meeting, Mr. Hollifield believed that KeyBank was going to work with debtor-dairy, cattle and farm operations until the price for cattle and milk improved.

From September 2009, until February 2010, the joint operations of debtor-cattle, dairy and farm operated as agreed. Income from all the operations was turned into KeyBank and applied to the RLOC's for the dairy and cattle and crop process were applied to the farm – LOC. The Borrowing Base Certification for debtor-cattle was adjusted with several accounts

receivables that had been on the Borrowing Base Certification eliminated by KeyBank. With the elimination of the accounts receivables and the reduction of the value of the dairy herd, the operation was out of compliance and the lines were frozen.

At this time, KeyBank did not release any income applied to the operating lines to the operation for the purchase of feed and other operating expenses. During the late part of 2009, after discussing the change of the debtor-cattle operation with the local KeyBank Office, Mr. Hollifield was looking at a new cattle venture with Tyson Fresh Meats. The operation would have debtor-cattle commit groups or lots of cattle that could be fattened for several months at debtor-cattle feedlots in Twin Falls County and then shipped to Pasco, Washington, for processing. Mr. Hollifield would present Tyson Fresh Meats with a cost to purchase the cattle and transport them to debtor-cattle's feedlot. The proforma would project the cost of grain that it would take to feed the cattle to market weight. Tyson Fresh Meats would approve the proforma and hedge the cattle at a price that would return debtor-cattle a profit on each lot. Tyson Fresh Meats would pay for the cattle and debtor-cattle would send them a monthly feed bill for each lot of cattle, plus the yardage expenses. Debtor made some profit on the feed and yardage. The profit or loss on the cattle would be made after the cattle had been processed at the Pasco plant.

In March of 2010, the banking relationship with debtor-dairy, cattle and farm was transferred to the Asset Recovery Group of KeyBank with W. Lee Bean as the Relationship Manager (collector). KeyBank started on a program of finding additional collateral with short term promises of additional financing. Debtor-cattle continued to feed the KeyBank cattle for the next six months with no cash from the bank to purchase feed. The farming operation used credit from suppliers to plan and grow the 2010 crops. Debtor-dairy was the only operation that had any cash flow to cover labor cost, feed cost, irrigation and other operating expenses. Debtor-

farm sold 2009 feed crops to the dairy and cattle operations on accounts receivable.

Terry Hollifield provided over \$200,000 in cash from an inheritance to buy feed for the cattle during the Spring of 2010.

Debtor requested emergency use of the Feed RLOC's to purchase feed for the dairy and feedlot. Debtor-dairy and cattle had used some funds to pay vendors (past due feed bills) and was told by KeyBank Asset Recovery Group to stop payment on these checks and use these funds to purchase feed from other vendors. Mr. Hollifield would not stop payment on these checks and KeyBank finally agreed to release \$172,000 for feed for the dairy and feed lot. The cash had to be split equally between the dairy and the feedlot.

The KeyBank Asset Recovery Group also promised debtor-cattle at this time that they would advance funds for feed from the RLOC for the next few months for the KeyBank cattle at the feed lot with a bill submitted by debtor-cattle. The feed bills were submitted to KeyBank but the bank released no funds.

Debtor-farm supplied feed crops to debtor-cattle in 2010 that were not paid for by the cattle operation. The feed was needed to finish the cattle for sale under the Tyson Fresh Meats contract.

Debtor-cattle purchased "puts" to protect the bottom price of the cattle while they were being finished.

Debtor-cattle sold all the cattle, including KeyBank's collateral, under the Tyson Food Contract, which was set at \$1 over market. KeyBank had requested that all the cattle be sold in the Spring of 2010 on the open market.

Total feed cost for debtor-cattle supplied by debtor-farms and Terry Hollifield totaled over \$1.8 million.

VIII. DISCHARGE

Since the debtor is a corporation, it shall not receive a discharge until all payments on the Plan have been complete in accordance with the terms of the Plan. It is the intention of the debtor, upon confirmation of the Plan, to allow the case to be closed and then at the time the debtor is entitled to discharge, to reopen the case after Plan payments are complete and allow the Court to enter a discharge.

DATED this 15th day of April, 2011.

HOLLIFIELD RANCHES, INC.

APPROVED:
ROBINSON ANTHON & TRIBE

By: /s/ Terry G. Hollifield
Terry G. Hollifield

By: /s/ Brent T. Robinson
Brent T. Robinson
Attorney for Debtor