

December 16, 2009

CLERK, U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

0002290296

(SPACE BELOW)

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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

Fresno Division

In Re
JOSE JORGE and FATIMA JORGE,
Debtors

Case No. 09-62001-B-11

Chapter Number: 11

Docket Control #HAR-1

Date: December 16, 2009
Time: 3:00 p.m.
Dept: B, Courtroom 12
Judge: Honorable W. Richard Lee

INTERIM ORDER AUTHORIZING USE OF CASH COLLATERAL

On December 16, 2009, the hearing on Debtors' Motion for Authority to Use Cash Collateral on Both an Emergency Basis and on a Permanent Basis ("Motion") filed by Jose and Fatima Jorge ("Debtors") came on for interim hearing before the Honorable W. Richard Lee, Bankruptcy Judge at 3:00 p.m. Hilton A. Ryder of McCormick, Barstow, Sheppard, Wayte & Carroty appeared on behalf of the Debtors and Greg Hughes of Hughes & Pritchard LLP appeared on behalf of Northwest Farm Credit Services ("Northwest") and other appearances were noted in the record. The Court, having heard the oral arguments of counsel, and Northwest and the Debtors having stipulated to the following Order ("Interim Order") and good cause appearing therefore:

IT IS HEREBY ORDERED as follows:

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1 1. The Motion is hereby GRANTED on an interim basis and any objections to
2 the Motion are hereby OVERRULED on an interim basis, from December 10, 2009, through and
3 including January 15, 2010, (the "Budget Period").

4 2. Pursuant to the provisions of Sections 361, 363(c), and 363(e) of the
5 Bankruptcy Code (11 U.S.C. §§ 101, et seq.; all statutory references herein are to the Bankruptcy
6 Code), and subject to each of the limitations set forth below in this Interim Order, the Debtors are
7 hereby authorized to use and disburse "cash collateral," as that term is defined in Section 363(a),
8 in which Northwest has or asserts an interest (such as cash collateral, "Cash Collateral"),
9 including, without limitation, all cash and all proceeds of accounts receivable, in the ordinary
10 course of the Debtors' business, from December 10, 2009, to and including January 15, 2010,
11 solely for the purposes and in a total amount set forth in the budget attached hereto as Exhibit A
12 and incorporated herein by this reference as though set forth in full (the "Budget"), subject to a
13 variance of any line item not exceeding 10%

14 3. The monthly creamery check shall continue to be payable to Northwest.
15 Northwest shall wire transfer to a debtor-in-possession account (the "Account") from the milk
16 proceeds the following amounts:

	<u>California</u>	<u>Idaho</u>
18 Milk Proceeds Check December 15, 2009	\$166,821.00	\$130,166.00
	Plus 10% variance	plus 10% variance
19	\$16,682.00	\$13,017.00
20 Milk proceeds check December 31, 2009,	\$163,261.00	\$124,549.00
	plus 10% variance	plus 10% variance
21	\$16,326.00	\$12,455.00

22 Northwest shall have no obligation to wire transfer any funds in excess of each Milk Proceeds
23 Check received by it. The above numbers reflect a \$5,000.00 personal withdrawal versus a
24 \$10,000.00 personal withdrawal set forth in the attached Budgets. Any funds not expended
25 pursuant to this Interim Order shall remain in the Account subject to further order of the Court.
26 The remaining milk proceeds from the December 15, 2009, and December 31, 2009, checks not
27 transferred to the Account pursuant to this Order shall constitute adequate protection payments to
28 Northwest.

1 4. The Debtors shall deposit all Cash Collateral received from Northwest, in
2 kind, into the Account.

3 5. If an Event of Default (as hereinafter defined) occurs under this Interim
4 Order, Northwest shall give written notice of any such default to the Debtors' counsel of record in
5 the above-entitled Chapter 11 case (the "Case") by hand delivery, electronic mail or facsimile
6 which shall advise the Debtors they have 3 business days to cure said Event of Default (the
7 "Default Notice"). The Debtors' right to use Cash Collateral shall immediately cease after 3
8 business days have elapsed from the date of said Default Notice if said Event of Default is not
9 cured. Notwithstanding the occurrence of a default under this Interim Order, the Debtors shall be
10 permitted to notice in an expedited hearing in the above-entitled Court so that the Court can
11 determine whether to authorize further use of Cash Collateral and Northwest shall cooperate with
12 the Debtors in the setting of such hearing.

13 6. In order to provide adequate protection to Northwest for the Debtors' use
14 of its Cash Collateral and to any other creditors whose Cash Collateral is being used by the
15 Debtors, if any (collectively, the "Other Secured Creditors"), the Debtors hereby grant Northwest
16 and the Other Secured Creditors a lien and security interest (the "Replacement Lien") in all assets
17 of the Debtors acquired on or after December 10, 2009, the date of filing of the petition herein
18 (the "Petition Date"), in order to secure Northwest's and the Other Secured Creditors' claim
19 against the Debtors to the extent that the Debtors' use of Cash Collateral on or after the Petition
20 Date results in a diminution of the value of the collateral in which Northwest and the Other
21 Secured Creditors hold a valid, perfected and enforceable security interest as of the Petition Date;
22 provided, however that the Replacement Lien shall have the same scope, validity, perfection,
23 relative priority and enforceability as Northwest's and the Other Creditors' pre-Petition Date
24 security interests; and provided further, that the Replacement Lien shall be subordinate to the
25 allowed and approved fees and costs of the trustee, if any, in any succeeding Chapter 7 case. The
26 Replacement Lien Shall be valid, perfected, and enforceable as of the Petition Date without any
27 further action by the Debtors, Northwest, and the Other Secured Creditors and without the

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1 execution, filing, or recording of any financing statements, security agreements, or other
2 documents.

3 7. In order further to provide adequate protection to Northwest for the
4 Debtors' use of Cash Collateral, the Debtors shall deliver or otherwise provide the following
5 reports, documents, copies and other information to Northwest at the following address:
6 Northwest Farm Credit Services, 2225 West Broadway, Suite A, Idaho Falls, Idaho, 83402

7 a. Commencing on December 30, 2009, and on January 14, 2010, the Debtors
8 shall deliver a report to Northwest which shall reference each check written by the Debtors for the
9 prior 2 weeks, which shall contain a reference to the line item in the Budget for which the
10 expenditure evidenced by the check is being made.

11 b. Commencing on December 30, 2009, and continuing on to January 14,
12 2010, the Debtors shall deliver a report to Northwest which shall set forth in detail all Collateral
13 (as that term is hereinafter defined) of Northwest sold by the Debtors for the prior 2 weeks and all
14 proceeds of sale paid to the Debtors for the sale of said Collateral.

15 c. Copies of all reports received regarding milk production and milk prices,
16 typically produced in conjunction with the Milk Proceeds Checks.

17 d. Copies of all invoices paid for feed and heifer raising expenses, as paid.

18 8. In order to provide further adequate protection to Northwest for the
19 Debtors' use of Cash Collateral, the Debtors shall permit Northwest and its agents access to
20 inspect the Collateral, in order to permit Northwest to, among other things, prepare a Dairy
21 livestock and Feed Appraisal report.

22 9. With respect to the Debtors' use of Cash Collateral, Northwest shall be
23 entitled to an administrative expense claim under Sections 503(b) and 507(a)(1) of the
24 Bankruptcy Code with the super-priority status pursuant to Bankruptcy Code Section 507(b) to
25 the extent Northwest is not adequately protected with respect to the Debtors' use of Cash
26 Collateral.

27 10. The occurrence of any one or more of the following events shall constitute
28 an "Event of Default" under this Interim Order: (i) the Debtors fail to perform any of their

1 obligations in strict accordance with the terms hereof or otherwise default hereunder or breach
2 any provision hereof, including (A) the use and disbursement of Cash Collateral except as
3 expressly permitted hereunder; (B) the failure to provide any report, document, or information to
4 Northwest as required hereby; and (C) the failure to make any payment to Northwest as required
5 hereby; (ii) a trustee is appointed or elected, or an examiner with the power to operate the
6 Debtors' business is appointed, in the Case; (iii) the Case is converted to a case under Chapter 7
7 or is dismissed; or (iv) this Interim Order is reversed, vacated, stayed, amended, or supplemented
8 without the consent of Northwest.

9 11. This Interim Order is made with an express reservation of rights by
10 Northwest and the Debtors to pursue any and all rights and remedies Northwest and Debtors may
11 have under the Bankruptcy Code and/or state law, including, but not limited to, seeking the
12 appointment of a trustee, an examiner or an examiner with expanded powers, adequate protection
13 of Northwest's security interest, the right of Northwest to seek the recovery of default interest due
14 under Northwest's loan documents and/or relief from the automatic stay or moving to dismiss this
15 Chapter 11 proceeding. Nothing contained in this Interim Order thereon shall be deemed or
16 construed to be an admission by Northwest that Northwest is or is not adequately protected or of
17 the existence of priority of the lien rights of Northwest in any Cash Collateral including, but not
18 limited to, any amounts to be paid to Northwest pursuant to this Interim Order and any other
19 sums paid to any entity pursuant to this Interim Order.

20 12. In the event the Debtors wish to make an expenditure of Cash Collateral
21 not expressly provided for in the Budget, the Debtors shall notify Northwest immediately in
22 writing of the amount and nature of the proposed expenditure and provide to Northwest such
23 supporting documentation as may be necessary for Northwest to evaluate the necessity and
24 propriety of the proposed expense. In the event that Northwest consents in writing to the
25 Debtors' expenditure of Cash Collateral, which consent shall be in the sole and absolute
26 discretion, opinion and judgment of Northwest, then the Debtors shall be entitled to expend Cash
27 Collateral subject to the terms of this Interim Order as authorized by the Northwest in writing.

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1 13. The terms and conditions of this Interim Order shall be binding upon, and
2 inure to the benefit of, Northwest and the Debtors and their respective successors and assigns
3 (including, but not limited to, any trustee or trustees hereafter appointed or elected under any
4 chapter or section of the Bankruptcy Code as a representative of the Debtors' estate).

5 14. The provision of this Interim Order and any actions taken pursuant hereto
6 shall survive the entry of any order which may be entered (a) appointing a trustee to the Debtors'
7 Chapter 11 case, (b) converting the Debtors' Chapter 11 case from a Chapter 11 to a Chapter 7; or
8 (c) dismissing this case, and the terms of the provision of this Interim Order as well as priorities
9 in payments, liens and security interests granted pursuant to this Interim Order shall continue in
10 full force and effect notwithstanding the entry of any such order, until all the obligations owing to
11 Northwest in this Interim Order are indefeasibly satisfied and discharged in accordance with their
12 terms.

13 15. If any or all of the provisions of this Interim Order are hereafter reversed,
14 modified, vacated or stayed subsequent order of this Court or any other Court, such reversal, stay,
15 modification or vacatur shall not affect the validity and enforceability or any obligation, debt or
16 claim incurred, or any priority, security interest or lien that is or was incurred or granted pursuant
17 to this Interim Order. Notwithstanding any stay, reversal, modification or vacatur of this Interim
18 Order, any obligations owing to Northwest arising prior to the effective date of such stay,
19 reversal, modification or vacatur, shall be governed in all respects by the original provisions of
20 this Interim Order. Northwest shall be entitled to all of its rights, privileges and benefits
21 hereunder including, without limitations, the liens, security interests, priorities and collection
22 rights granted herein and therein to or for its benefit with respect to all obligations owing to
23 Northwest, all Collateral securing same and the priority therefore under Bankruptcy Code
24 Sections 363 and 507(b).

25 16. A continued interim hearing on the Motion shall be held on January 14,
26 2010, at 9:00 in this Court, with notice of said hearing to be served by the Debtors on or before
27 December 18, 2009, on the United States Trustee, Northwest, the Other Secured Creditors and
28 the twenty largest unsecured creditors identified in the list filed by the Debtors pursuant to Rule

1 4001(d) of the Federal Rules of Bankruptcy Procedure and all parties who have requested special
2 notice pursuant to provisions of Rule 2002(i) of the Federal Rules of Bankruptcy Procedure. Any
3 opposition to the Motion shall be filed on or before January 7, 2010, with service to be made
4 on that date on counsel for Northwest, the Debtors and the United States Trustee via electronic
5 mail or facsimile.

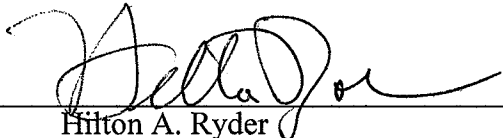
6 Approved as to form and content:

7 Hughes & Pritchard LLP

8
9 /s/Gregory Hughes

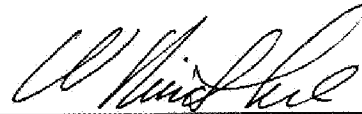
10 Gregory Hughes, Attorneys for
11 Northwest Farm Credit Services

12 Submitted by:

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14 _____

15 Hilton A. Ryder
16 Attorneys for Debtors

17 Dated: December 16, 2009

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21 W. Richard Lee
22 United States Bankruptcy Judge

23
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25
26
27
28 99910/01536-1490662.v1

JORGE FAMILY DAIRY (IDAHO) Estimated Monthly Budget

INCOME:

Class III milk price
Milk component bonus
Milk bonus
Cull cows
Farming profit
Total income

EXPENSES:

Feed:

Hay
Grain
Silage
Heifer raising
Total feed

Replacement costs:

Other operating expenses:

Labor
Rent
Milk hauling
Industry assessments
Supplies
Repairs and maintenance
Utilities
Taxes and licenses
Insurance
Fuel and oil
Legal and accounting
Veterinary and breeding
Testing and trimming
Total other expenses

Personal Draw

Principal Payment
Principal Payment
Interest Payment

Total draw and debt service

Total expenses, draw and debt

PROJECTED CASH FLOW

12/15/09 to 12/31/09			
1,062	Milking		
66	Lbs / cow		
AMOUNT	PER CWT		
\$ 157,903	\$ 14.08		
7,738	0.69		
1,794	0.16		
4,950	0.44		
\$ 172,385	\$ 15.37		

01/01/10 to 01/15/10			
1,062	Milking		
66	Lbs / cow		
AMOUNT	PER CWT		
\$ 154,868	\$ 14.73		
7,255	0.69		
1,682	0.16		
4,950	0.47		
\$ 168,755	\$ 16.05		

01/15/10 to 01/31/10			
1,062	Milking		
66	Lbs / cow		
AMOUNT	PER CWT		
\$ 165,193	\$ 14.73		
7,738	0.69		
1,794	0.16		
4,950	0.44		
\$ 179,675	\$ 16.02		

02/01/10 to 02/15/10			
1,062	Milking		
66	Lbs / cow		
AMOUNT	PER CWT		
\$ 152,660	\$ 14.52		
7,255	0.69		
1,682	0.16		
4,950	0.47		
\$ 166,547	\$ 15.84		

02/01/10 to 02/15/10			
1,062	Milking		
66	Lbs / cow		
AMOUNT	PER CWT		
\$ 142,483	\$ 14.52		
6,771	0.69		
1,570	0.16		
4,950	0.50		
\$ 155,774	\$ 15.87		

\$ 20,249	\$ 1.81		
52,951	4.72		
12,294	1.10		
5,000	0.45		
\$ 105,073	\$ 9.38		
\$ -	\$ -		

\$ 18,983	\$ 1.81		
49,642	4.72		
11,526	1.10		
5,000	0.48		
\$ 85,151	\$ 8.11		
\$ -	\$ -		

\$ 20,249	\$ 1.81		
52,951	4.72		
12,294	1.10		
5,000	0.45		
\$ 90,494	\$ 8.08		
\$ -	\$ -		

\$ 18,983	\$ 1.81		
49,642	4.72		
11,526	1.10		
5,000	0.48		
\$ 85,151	\$ 8.11		
\$ -	\$ -		

\$ 17,717	\$ 1.81		
46,332	4.72		
10,758	1.10		
5,000	0.51		
\$ 79,808	\$ 8.14		
\$ -	\$ -		

\$ 12,000	\$ 1.07		
\$ 10,000	0.89		
2,692	0.24		
1,682	0.15		
2,500	0.22		
4,000	0.36		
2,300	0.21		
400	0.04		
2,500	0.22		
2,323	0.21		
2,750	0.25		
1,475	0.13		
\$ 44,622	\$ 3.99		

\$ 12,000	\$ 1.14		
\$ 10,000	0.95		
2,523	0.24		
1,577	0.15		
2,500	0.24		
4,000	0.38		
2,300	0.22		
400	0.04		
2,500	0.24		
2,323	0.22		
2,750	0.26		
1,475	0.14		
\$ 44,348	\$ 4.22		

\$ 12,000	\$ 1.07		
\$ 10,000	0.89		
2,692	0.24		
1,682	0.15		
2,500	0.22		
4,000	0.36		
2,300	0.21		
400	0.04		
2,500	0.22		
2,323	0.21		
2,750	0.25		
1,475	0.13		
\$ 44,622	\$ 3.99		

\$ 12,000	\$ 1.14		
\$ 10,000	0.95		
2,523	0.24		
1,577	0.15		
2,500	0.24		
4,000	0.38		
2,300	0.22		
400	0.04		
2,500	0.24		
2,323	0.22		
2,750	0.26		
1,475	0.14		
\$ 44,348	\$ 4.22		

\$ 12,000	\$ 1.22		
\$ 10,000	1.02		
2,355	0.24		
1,472	0.15		
2,500	0.25		
4,000	0.41		
2,300	0.23		
400	0.04		
2,500	0.25		
2,323	0.24		
2,750	0.28		
1,475	0.15		
\$ 44,075	\$ 4.48		

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\$ -	\$ -		
\$ 149,695	\$ 13.37		
\$ 22,690	\$ 2.00		

\$ -	\$ -		
\$ 129,499	\$ 12.33		
\$ 39,256	\$ 3.72		

\$ -	\$ -		
\$ 135,116	\$ 12.07		
\$ 44,559	\$ 3.95		

\$ -	\$ -		
\$ 129,499	\$ 12.33		
\$ 37,048	\$ 3.51		

\$ -	\$ -		
\$ 123,882	\$ 12.62		
\$ 31,892	\$ 3.25		

JOSE M. JORGE DAIRY (CALIFORNIA)

Estimated Monthly Budget

12/15/09 to 12/31/09		
1,700 Milking	PER CWT	
60 Lbs / cow		

INCOME:	AMOUNT	PER CWT
Overbase milk price	\$ 218,362	\$ 13.38
Milk component bonus	6,528	0.40
Milk bonus	816	0.05
Quota income	448	0.03
Cull cows	11,104	0.68
Farming profit	-	-
Total income	\$ 237,258	\$ 14.54

EXPENSES:	AMOUNT	PER CWT
Feed:		
Hay	\$ 29,924	\$ 1.83
Grain	\$ 72,543	4.45
Silage	-	-
Heifer raising	11,613	0.71
Total feed	\$ 113,080	\$ 6.99
Replacement costs:	\$ -	\$ -
Other operating expenses:	\$ -	\$ -
Labor	\$ 15,700	\$ 0.96
Milk hauling	5,583	0.34
Industry assessments	4,570	0.28
Retains	1,632	0.10
Supplies	7,344	0.45
Repairs and maintenance	7,344	0.45
Utilities	6,194	0.38
Taxes and licenses	1,350	0.08
Insurance	3,097	0.19
Fuel and oil	2,611	0.16
Legal and accounting	4,129	0.25
Employee benefits	163	0.01
Veterinary and breeding	2,839	0.17
Hauling livestock	258	0.02
Testing and trimming	1,032	0.06
Total other expenses	\$ 63,845	\$ 3.90

Personal Draw	-	-
Principal Payment Revolving	-	-
Principal Payment	-	-
Interest Payment	-	-
Total draw and debt service	\$ -	\$ -
Total expenses, draw and debt	\$ 199,142	\$ 12.19
PROJECTED CASH FLOW	\$ 38,116	\$ 2.35

01/01/10 to 01/15/10		
1,700 Milking	PER CWT	
60 Lbs / cow		

AMOUNT	PER CWT
\$ 214,659	\$ 14.03
6,120	0.40
765	0.05
420	0.03
11,104	0.73
\$ 233,068	\$ 15.24

\$ 28,054	\$ 1.83
68,009	4.45
10,887	0.71
\$ 106,951	\$ 6.99
\$ -	\$ -
\$ -	\$ -
\$ 14,084	\$ 0.92
5,234	0.34
4,284	0.28
1,530	0.10
6,885	0.45
6,885	0.45
6,194	0.40
3,190	0.21
3,097	0.20
2,611	0.17
4,129	0.27
163	0.01
2,839	0.19
258	0.02
1,032	0.07
\$ 62,414	\$ 4.08

\$ 10,000	0.65
\$ 10,000	\$ 0.65
\$ 179,365	\$ 11.72
\$ 53,703	\$ 3.52

01/15/10 to 01/31/10		
1,700 Milking	PER CWT	
60 Lbs / cow		

AMOUNT	PER CWT
\$ 228,970	\$ 14.03
6,528	0.40
816	0.05
448	0.03
11,104	0.68
\$ 247,866	\$ 15.19

\$ 29,924	\$ 1.83
72,543	4.45
11,613	0.71
\$ 114,081	\$ 6.99
\$ -	\$ -
\$ -	\$ -
\$ 14,084	\$ 0.86
5,583	0.34
4,284	0.28
1,530	0.10
6,885	0.45
7,344	0.45
6,194	0.38
1,350	0.08
3,097	0.19
2,611	0.16
4,129	0.25
165	0.01
2,839	0.17
258	0.02
1,032	0.06
\$ 62,232	\$ 3.80

\$ 10,000	0.65
\$ 10,000	\$ 0.65
\$ 176,312	\$ 10.79
\$ 71,554	\$ 4.40

02/01/10 to 02/15/10		
1,700 Milking	PER CWT	
60 Lbs / cow		

AMOUNT	PER CWT
\$ 211,446	\$ 13.82
6,120	0.40
765	0.05
420	0.03
11,104	0.73
\$ 229,855	\$ 15.03

\$ 28,054	\$ 1.83
68,009	4.45
10,887	0.71
\$ 106,951	\$ 6.99
\$ -	\$ -
\$ -	\$ -
\$ 14,084	\$ 0.92
5,234	0.34
4,284	0.28
1,530	0.10
6,885	0.45
6,885	0.45
6,194	0.40
1,350	0.09
3,097	0.20
2,611	0.17
4,129	0.27
165	0.01
2,839	0.19
258	0.02
1,032	0.07
\$ 60,577	\$ 3.96

\$ 10,000	0.65
\$ 10,000	\$ 0.65
\$ 177,527	\$ 11.60
\$ 52,328	\$ 3.43

02/01/10 to 02/15/10		
1,700 Milking	PER CWT	
60 Lbs / cow		

AMOUNT	PER CWT
\$ 197,350	\$ 13.82
5,712	0.40
714	0.05
392	0.03
11,104	0.78
\$ 215,272	\$ 15.08

\$ 26,184	\$ 1.83
63,475	4.45
10,161	0.71
\$ 99,821	\$ 6.99
\$ -	\$ -
\$ -	\$ -
\$ 14,084	\$ 0.99
4,885	0.34
3,998	0.28
1,428	0.10
6,426	0.45
6,426	0.45
6,194	0.43
1,350	0.09
3,097	0.22
2,611	0.18
4,129	0.29
165	0.01
2,839	0.20
258	0.02
1,032	0.07
\$ 58,922	\$ 4.12

\$ 14,084	\$ 0.99
4,885	0.34
3,998	0.28
1,428	0.10
6,426	0.45
6,426	0.45
6,194	0.43
1,350	0.09
3,097	0.22
2,611	0.18
4,129	0.29
165	0.01
2,839	0.20
258	0.02
1,032	0.07
\$ 58,922	\$ 4.12

\$ 10,000	\$ 0.65
\$ 10,000	\$ 0.65
\$ 158,742	\$ 11.11
\$ 56,530	\$ 3.97