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UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re)	Case No. 11-62723-fra11
)	
Olsen Agricultural Enterprises LLC,)	Chapter 11
an Oregon limited liability company,)	
)	DISCLOSURE STATEMENT
Debtor.)	FOR DEBTOR'S PLAN OF
)	REORGANIZATION
)	(Dated September 29, 2011)
)	
)	
)	

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION. THE BANKRUPTCY COURT WILL DETERMINE WHETHER THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION AT A HEARING TO CONSIDER APPROVAL OF A DISCLOSURE STATEMENT. THE TRANSMISSION OF THIS PROPOSED DISCLOSURE STATEMENT IS NOT A SOLICITATION FOR ACCEPTANCE OR REJECTION OF THE DEBTOR'S PROPOSED PLAN.

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TABLE OF EXHIBITS

Exhibit A - Projected Financial Statements and Plan Assumptions

Exhibit B - Liquidation Analysis

1 Olsen Agricultural Enterprises LLC, an Oregon limited liability company (the “Debtor”
2 or the “Company”) submits this Disclosure Statement in connection with its Plan of
3 Reorganization dated September 29, 2011 (the “Plan”). The purpose of this Disclosure
4 Statement is to set forth information that (i) summarizes the Plan and alternatives to the Plan, (ii)
5 informs creditors and equity interest holders of the treatment to be afforded their claims against
6 and equity interests in the Debtor under the Plan, (iii) assists creditors entitled to vote in making
7 informed decisions as to whether they should vote to accept or reject the Plan, and (iv) assists the
8 Court in determining whether the Plan complies with the provisions of Chapter 11 of the
9 Bankruptcy Code and should be confirmed. The Plan describes how all claims against and
10 equity interests in the Debtor will be resolved and provides the means by which the Debtor will
11 be reorganized under the Bankruptcy Code.

12 **I.**

13 **EXECUTIVE SUMMARY**

14 **A. Introduction**

15 On June 1, 2011 (the “Petition Date”), the Company filed a voluntary petition for relief
16 under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District
17 of Oregon (the “Bankruptcy Court” or the “Court”). Since then, the Company has managed its
18 properties and affairs as debtor in possession. On September 29, 2011, the Company filed its
19 Plan of Reorganization with the Bankruptcy Court. This Disclosure Statement describes certain
20 aspects of the Plan, the Company’s business operations, significant events that occurred in the
21 Chapter 11 case, and related matters. This Executive Summary is intended solely as a summary
22 of the distribution provisions of the Plan and of certain matters relating to the plan confirmation
23 process. For a more complete understanding of the Plan, you should read this Disclosure
24 Statement, the Plan, and the exhibits thereto in their entirety.

1 B. Definitions and Plan Supremacy

2 All terms defined in the Plan will have the same meanings when used in this Disclosure
3 Statement. Terms defined in this Disclosure Statement which are also defined in the Plan are
4 solely for convenience and the Debtor does not intend to change the definitions of those terms in
5 the Plan. Furthermore, in the event of any inconsistency between the Plan and this Disclosure
6 Statement, the Plan will control. The Exhibits attached to this Disclosure Statement are
7 incorporated into and are a part of this Disclosure Statement.

8 C. Plan Materials

9 The Debtor is mailing to all creditors and to certain other parties:

10 1. A copy of the “Order Approving Disclosure Statement and Fixing Time
11 for Filing Acceptances or Rejections of Plan; and Notice of any Appropriate Injunction and of
12 Confirmation Hearing,” as entered by the Bankruptcy Court (the “Disclosure Statement
13 Approval Order”);

14 2. A compact disc that contains an electronic copy of the Plan and of this
15 Disclosure Statement; and

16 3. A ballot form for use in voting on the Plan.

17 D. Voting

18 Under the Bankruptcy Code, only creditors and equity interest holders that hold claims or
19 interests in “impaired” classes and which are “allowed,” or have been temporarily allowed by the
20 Bankruptcy Court pursuant to an order, are entitled to vote on the Plan. Under the Plan, five of
21 13 classes of claims and one class of interests are “impaired.”

22 In general, a claim is “allowed,” as that term is used in the Bankruptcy Code, if (i) the
23 claim is listed in the Debtor’s schedules of liabilities filed with the Bankruptcy Court as not
24 disputed, contingent, or unliquidated, or (ii) a proof of claim has been timely filed with the
25 Bankruptcy Court by the holder of the claim, and the Debtor has not filed an objection to the
26 claim, or (iii) the Bankruptcy Court has entered an order allowing the claim. If a claim is not

1 allowed, but the holder thereof wishes to vote on the Plan, the holder must have timely filed a
2 motion with the Bankruptcy Court requesting that the claim be temporarily allowed.

3 In order for an impaired class of claims to accept the Plan, votes representing at least
4 two-thirds in amount and more than one-half in number of the claims voting in that class must be
5 cast in favor of acceptance of the Plan. In order for an impaired class of interests to accept the
6 Plan, votes representing at least two-thirds in amount of the interests in that class must be cast in
7 favor of acceptance of the Plan.

8 The Debtor is seeking acceptances from holders of allowed claims in Classes 2, 8, 9, 10
9 and 13 and from holders of allowed interests in Class 14.

10 A vote for acceptance of the Plan by those holders of claims and interests who are
11 entitled to vote is important. In order for a vote to be counted, a ballot must be properly filled
12 out and actually received on or before 5:00 p.m. Pacific time on the date indicated in the ballot
13 by the voting agent as set forth in the ballot.

14 E. Confirmation Hearing and Deadline for Objections

15 The hearing to determine whether to confirm the Plan has been scheduled for the date and
16 time set forth in the Disclosure Statement Approval Order before the Honorable Frank R. Alley
17 in Courtroom No. 6 of the Wayne L. Morse Courthouse, 405 E. 8th Avenue, Eugene, Oregon.
18 The hearing may be adjourned from time to time without further notice except for an
19 announcement made at the hearing or any adjourned hearing. Any objection to confirmation of
20 the Plan must be made in writing, state all grounds for objection, and be filed with the Clerk of
21 the Bankruptcy Court on or before the date fixed by the Bankruptcy Court in the Disclosure
22 Statement Approval Order.

23 F. Inquiries

24 If you have questions about the procedures for voting your claim or about the packet of
25 materials that you received, or if you wish to obtain paper copies of the Plan and this Disclosure
26 Statement or additional copies of the compact disc or the ballot form, contact Greene & Markley,

1 P.C., 1515 SW Fifth Avenue, Attention: Corri Larsen, Legal Assistant, telephone number (503)
2 295-2668 or email at corri.larsen@greenemarkley.com.

3 G. Plan Summary

4 The following summarizes the classification and treatment of the claims against and
5 equity interests in the Debtor under the Plan.

6 1. Administrative Expense Claims and Priority Tax Claims.

7 Administrative Expense Claims and Priority Tax Claims are not classified under the Plan.
8 Their treatment under the Plan is specified by statute. These claims will be paid by the
9 Reorganized Debtor in full on the Effective Date or when due.

10 2. Secured Claims.

11 Under the Plan, each claim that is secured by a lien on property of the Debtor is placed in
12 a separate class or subclass. For reasons of convenience, certain secured claims are grouped
13 together by type. The Plan designates 10 classes of secured claims, although certain classes
14 include multiple subclasses of claims.

15 The classes of secured claims that are impaired by the Plan are Classes 2, 8, 9 and 10.
16 These secured claims are held by Bank of the Cascades (Class 2), Puakea Bay Ranch Owners
17 Association (Class 8), Rabo Agrifinance, Inc. (Class 9), and West Coast Bank (Class 10). Under
18 the Plan, the payment terms and the maturity date of each Allowed Secured Claim in these
19 classes will be changed as set forth in the Plan.

20 The other classes of secured claims are not impaired by the Plan. These secured claims
21 are held by Allegiance Premium Finance Co. (Class 1), BFS International, LLC (Class 3), the
22 Internal Revenue Service (Class 4), Ledebor Seed, LLC (Class 5), creditors holding purchase
23 money security interests in equipment (Class 6), and governmental units holding property tax
24 claims (Class 7).

1 3. Priority Employee-Related Claims.

2 Under the Plan, prepetition claims entitled to priority under the Bankruptcy Code, other
3 than Priority Tax Claims, are placed in Class 11. Class 11 consists of all Priority Claims owing
4 to employees or to employee benefit plans. This class of claims is not impaired by the Plan. The
5 Reorganized Debtor will pay those kinds of claims in full on the later of the Effective Date or
6 when due.

7 4. General Unsecured Claims.

8 Under the Plan, general unsecured claims are divided into two classes, as described
9 briefly below.

10 a. Class 12: Convenience Claims. This class consists of all Allowed

11 Unsecured Claims that do not fall within the descriptions of any of the other classes of claims
12 and that are for amounts of \$2,000 or less each. A holder of a claim in excess of \$2,000 can join
13 Class 12 by electing to reduce the amount of the claim to \$2,000; such an election can be made
14 by marking the appropriate box on the ballot form. The Reorganized Debtor will pay these
15 claims in full, in each case without interest on the Effective Date or as soon thereafter as the
16 Allowed Amount is determined.

17 b. Class 13: Other Claims. This class consists of all claims not

18 otherwise classified or treated under the Plan. Creditors with claims in this class will receive
19 cash distributions from the Reorganized Debtor over a period of four years after the Effective
20 Date until the Allowed Amounts, together with interest thereon from and after the Effective Date
21 at the rate of five percent per annum, are paid in full. Specifically, the Plan provides that, subject
22 to the provisions of Article V of the Plan, each holder of an Allowed Class 13 Claim will receive
23 (A) within 30 days after the Effective Date, such holder's Pro Rata Share of \$200,000, (B) within
24 90 days after the close of each calendar year, commencing March 30, 2013, an amount equal to
25 the sum of (x) all interest accrued but unpaid through the last day of such prior year, and (y) until
26 the entire allowed amount of such holder's Class 13 Claim is paid in full, such holder's Pro Rata

1 share of the amount equal to the excess of 10 percent of Adjusted EBITDA, measured from
2 January 1, 2012, through the last day of such prior year, over the total amount of payments
3 previously made by the Reorganized Debtor on account of all Allowed Class 13 Claims, and (C)
4 on or before March 30, 2016, the entire unpaid balance of such holder's Allowed Class 13
5 Claim, together with all interest accrued but unpaid through such date. VineyardCo will
6 guarantee the payment and performance of the Reorganized Debtor's obligations under the Plan
7 to the holders of Class 13 Claims. The Debtor estimates that the pool of Allowed Class 13
8 Claims will be \$3 million or less.

9 5. Equity Interests.

10 Under the Plan, all Equity Interests are placed in Class 14. On the Effective Date, or as
11 soon thereafter as is practicable, (i) the tentative Equity Interests of Eleanor Ann Olsen, Hiram
12 G. Olsen Family Trust, James E. Olsen, Erin L. Olsen, Robin G. Olsen, Roger P. Olsen, and
13 Olsen Land Holding, LLC (collectively, the "New Owners") will be exchanged for ownership
14 interests in the Reorganized Debtor, (ii) the ownership interests in VineyardCo will be
15 distributed to the New Owners, and (iii) the Reorganized Debtor will pay, or reimburse the
16 Debtor's original members for, the legal expenses, not to exceed \$100,000 in the aggregate, that
17 were incurred by the Debtor's original members in connection with the organization of the
18 Debtor and the related merger transaction. Except as otherwise determined by the Court and
19 provided in the Confirmation Order, the ownership percentages of the New Owners in the
20 Reorganized Debtor and in VineyardCo will be Eleanor Ann Olsen - 32.5%; Robin G. Olsen -
21 20.0%; Hiram G. Olsen Family Trust - 17.5%; Roger P. Olsen - 10.0%; Erin L. Olsen - 10.0%;
22 James E. Olsen - 5.0%; and Olsen Land Holding, LLC - 5.0 %.

23 **II.**

24 **DISCLAIMERS**

25 THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE
26 STATEMENT, TOGETHER WITH THE PLAN WHICH ACCOMPANIES THIS
DISCLOSURE STATEMENT, SHOULD BE READ COMPLETELY. FOR THE

1 CONVENIENCE OF CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE
2 STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE
3 PLAN ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS
4 CONTROLLING IN THE EVENT OF ANY INCONSISTENCY. NO REPRESENTATIONS
5 OR ASSURANCES CONCERNING THE DEBTOR, INCLUDING, WITHOUT LIMITATION,
6 ITS OPERATIONS, THE VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF
7 THE REORGANIZED DEBTOR, ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS
8 SET FORTH IN THIS DISCLOSURE STATEMENT. THIS IS A SOLICITATION BY THE
9 DEBTOR ONLY. THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE
10 DEBTOR AND NOT OF ITS ATTORNEYS OR ANY OTHER PROFESSIONAL.

11 UNLESS OTHERWISE EXPRESSLY STATED, PORTIONS OF THIS DISCLOSURE
12 STATEMENT DESCRIBING THE DEBTOR'S FINANCIAL CONDITION HAVE NOT
13 BEEN SUBJECTED TO AN INDEPENDENT AUDIT, BUT PREPARED FROM
14 INFORMATION COMPILED BY THE DEBTOR FROM RECORDS. REASONABLE
15 EFFORTS HAVE BEEN MADE TO ACCURATELY PREPARE ALL FINANCIAL
16 INFORMATION WHICH MAY BE CONTAINED IN THIS DISCLOSURE STATEMENT
17 FROM THE INFORMATION AVAILABLE TO THE DEBTOR. HOWEVER, AS TO ALL
18 SUCH FINANCIAL INFORMATION, THE DEBTOR IS UNABLE TO WARRANT OR
19 REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ERROR.

20 AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS
21 OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT
22 CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT, LIABILITY,
23 STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT
24 NEGOTIATIONS.

25 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED
26 AS LEGAL, BUSINESS OR TAX ADVICE TO HOLDERS OF CLAIMS AGAINST OR
EQUITY INTERESTS IN THE DEBTOR. CREDITORS AND EQUITY INTEREST
HOLDERS SHOULD CONSULT THEIR OWN LEGAL COUNSEL OR TAX ADVISOR ON
ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES, OR OTHER LEGAL
EFFECTS OF THE PLAN ON THEM.

18 III.

19 ORGANIZATION AND ACTIVITIES OF DEBTOR

20 A. Company History

21 The Debtor is a privately-held Oregon limited liability company that was formed on May
22 26, 2011, for the primary purpose of consolidating the assets and liabilities of Olsen Agricultural
23 Company, Inc., an Oregon corporation ("OAC") and of those related entities that leased land to
24 it. OAC was incorporated on January 1, 1988, under the name Pinnacle Grass Seed Farm
25 Company. OAC changed its name to Jenks-Olsen Farms, Inc. on March 24, 1988, and
26 conducted business operations under that name until February 7, 2006, when it changed its name

1 to Olsen Agricultural Company, Inc. Under a series of long-term leases, OAC leased land used
2 in its operations from Jenks-Olsen Land Co., an Oregon general partnership (“JOLC”), Olsen
3 Vineyard Company, LLC, an Oregon limited liability company (“OVC”), and The Olsen Farms
4 Family Limited Partnership, an Oregon limited partnership (“OFFLP”). At all times prior to the
5 merger described below, OAC was an S corporation for federal income tax purposes.

6 On the Petition Date, before the Chapter 11 petition was filed, OAC, JOLC, OVC and
7 OFFLP were merged with and into the Debtor. In connection with the merger transaction, other
8 related parties that pledged real estate collateral to support OAC’s line of credit loans
9 contributed such property to the Debtor in exchange for the right to receive ownership interests
10 in the Debtor.

11 The Company’s headquarters are located in Monmouth, Oregon. It is taxed as a
12 partnership for federal income tax purposes.

13 B. Business of the Debtor

14 1. Summary Description of Business. The Debtor operates an agricultural
15 enterprise on approximately 7,762 acres of owned and leased land located in Benton, Linn and
16 Polk Counties. Its business is comprised principally of three division: (a) Olsen Seed Company,
17 which produces and sells a variety of grass seed and grains on approximately 5,934 acres; (b)
18 Olsen Agriculture, which grows and sells peppermint, nursery stock, squash, hazelnuts and
19 blueberries on approximately 1,334 acres; and (c) Olsen Family Vineyards, which grows a
20 variety of grapes on approximately 494 acres and produces and sells quality wines under the
21 “Viridian” label as well as under private labels.

22 2. Employees. As of the Petition Date, the Debtor had 45 employees,
23 including management personnel. The Company also hires seasonal employees for the farming
24 and vineyard operations to, among other things, provide assistance in harvesting crops. The
25 Company is not a party to any collective bargaining agreements, and no labor union or other
26 organization represents, purports to represent, or is attempting to represent any employees.

1 Employee relations are considered to be good and there were no labor relations problems in
 2 OAC's history.

3

4 3. Real Property Leases. The Debtor is the lessee under 39 unexpired real
 5 property leases. These leases include 30 farms leases on 114 fields that comprise a total of 3,947
 6 tillable acres.

7 4. Competition. The agricultural industry in general and the wine industry in
 8 particular are highly competitive ones in the markets in which the Company operates. The
 9 Company competes with its competitors on price, the quality of its products, customer service,
 10 and its reputation.

11 5. Trademarks. The Company owns certain registered and unregistered
 12 trademarks and service marks that have been used for marketing its wines under the
 13 "Viridian" and "Olsen Family Vineyards" labels.

14 6. Governmental Regulation. The Company is subject to various federal,
 15 state and local laws, regulations and administrative rules affecting its business. It must comply
 16 with laws regulating land use, equal employment, minimum wages, the environment and human
 17 health, product labeling, and the like.

18 C. Management

19 The following table identifies each manager of the Company as of the date hereof and
 20 sets forth the annual cash compensation to each.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Annual Cash Compensation</u>
Roger P. Olsen	53	Chair of Board of Managers and Farm Manager	\$75,000
Eleanor Ann Olsen	72	Manager (with voting power of two Managers)	\$0
James E. Olsen	51	Manager and Marketing Director	\$150,000

1 Robin G. Olsen 55 Manager and Operations \$75,000
 2 Director

3
 4 D. Equity Ownership

5 The names of the Company’s members and their respective tentative percentage of
 6 ownership are as follows:

7 Eleanor Ann Olsen	32.5%
8 Robin G. Olsen	20.0%
9 Hiram G. Olsen Family Trust	17.5%
10 Roger P. Olsen	10.0%
11 Erin L. Olsen	10.0%
12 James E. Olsen	5.0%
13 Olsen Land Holding, LLC	5.0%

14 E. Related Party Transactions

15 Transactions involving insiders or other related parties that the Company deems material
 16 are summarized in this Section.

17 1. Insider Guaranties and Co-Borrower Relationships.

18 As a result of the merger, the Company became obligated on the \$15 million term
 19 loan originally made by AXA Equitable Life Insurance Company (“AXA”), which sold the loan
 20 to Rabo Agrifinance, Inc. (“Rabo”). The original co-borrowers were OAC, JOLC, OVC and
 21 OFFLP. The loan is also personally guaranteed by Carolyn A. Olsen, Roger P. Olsen and James
 22 E. Olsen.

23 As a result of the merger, the Company became obligated on the line of credit loans made
 24 by Rabo. The original co-borrowers were OAC, JOLC, OVC, James E. Olsen, Roger P. Olsen
 25 and Robin G. Olsen.

26 James E. Olsen also personally guaranteed OAC’s debts to (i) Balzheiser & Hubbard
 Enterprises, (ii) Chase Auto Finance, (iii) Gerald Phelan, LLC, (iv) HSR Architecture LLC, (v)
 Mercedes-Benz Credit Corporation/Mercedes-Benz Financial Services, (vi) ORCO Inc., (vii)

1 Rexius Forest By-Products Inc., (viii) Toyota Financial Services, (ix) West Coast Bank, and (x)
 2 Willamette Ag Financial Services Co.

3 Robin G. Olsen also personally guaranteed OAC’s debts to (i) Balzheiser & Hubbard
 4 Engineers, and (ii) Rexius Forest By-Products Inc.

5 The Company has not guaranteed any debt of an affiliate.

6 2. Insider Claims and Investments.

7 As a result of the merger, significant obligations that were owed to OAC by JOLC
 8 (\$6,355,529) and OVC (\$65,369), as well as OAC’s equity investment in OVC (\$7,195,663),
 9 were eliminated.

10 Olsen Land Holding, LLC (“OLH”), an entity that is owned and controlled by James E.
 11 Olsen, is indebted to the Company in the net amount of approximately \$97,614 based on pre-
 12 merger dealings with OAC, JOLC and OVC.

13 OAC’s records reflect the following insider receivables and payables as of the Petition
 14 Date:

15 OAC Related Party Receivables

16 Carolyn A. Olsen	\$ 130,866
17 James E. Olsen	\$1,441,114
James Olsen, Inc.	\$ 481,245

18 OAC Stockholder Receivables

19 James E. Olsen	\$139,968
20 Robin G. Olsen	\$139,968
21 Roger P. Olsen	\$139,968

22 OAC Notes Payable

23 Carolyn A. Olsen	\$582,744
24 Robin G. Olsen	\$ 41,076
Roger P. Olsen	\$ 45,939

1 James E. Olsen, Robin G. Olsen, Roger P. Olsen and the other co-obligors of the
2 Company's debts have contingent claims against the Company for reimbursement based on their
3 personal guaranties and execution of loan documents.

4 To provide additional credit support for OAC's debt to Oregon Vineyard Supply Co.,
5 James E. Olsen and Erin L. Olsen pledged their investment account in certain Bear Stearns
6 limited partnerships. James E. Olsen and Erin L. Olsen have contingent claims against the
7 Company based on that pledge arrangement.

8 3. Kester Farms MOU.

9 Roger P. Olsen, Carolyn A. Olsen, James E. Olsen and Robin G. Olsen are parties to a
10 Memorandum of Understanding dated May 19, 2008, as amended by an addendum dated
11 December 30, 2008 (the "MOU"). Under the terms of the MOU, among other things, Roger
12 Olsen was to acquire ownership, free and clear of encumbrances, to that portion of the real
13 property and improvements commonly known as the Kester Farm on which he and his wife have
14 their residence and conduct an organic farming operation. In the Company's operating
15 agreement, the Company's members agreed to perform the MOU to the extent it remained
16 unperformed as of May 26, 2011, and the Company became obligated under the MOU to the
17 extent the entities that were merged into the Company were obligated thereunder.

18 F. Selected Financial Information

19 For the fiscal year ended December 31, 2010, OAC reported total revenues of \$6,428,880
20 and a net loss of (\$5,791,310). At the time of the merger on June 1, 2010, on a consolidated
21 basis, the books and records of OAC, JOLC and OVC reflected assets totaling approximately
22 \$29.8 million and liabilities totaling approximately \$37.2 million.

1 **IV.**

2 **THE CHAPTER 11 CASE**

3 A. Events Leading to Bankruptcy

4 The Chapter 11 bankruptcy filing was precipitated by a series of unfortunate events and
5 circumstances that began in 2007 and coincided with the “Great Recession” of 2007.

6 Historically, OAC’s core business was growing and selling grass seed and other crops.
7 Beginning in 2004, OAC entered the wine business and planted its first vineyard. Additional
8 vineyards were planted in 2005, 2006 and 2007. Together, OAC and OVC invested more than
9 \$15 million in the vineyards and related assets.

10 In order to fund capital expenditures and provide needed working capital, OAC sought
11 financing in 2007. The financing was obtained from AXA and Rabo. AXA made a \$15 million
12 term loan under a promissory note dated September 7, 2007, which was secured by liens on all or
13 essentially all real property owned by OAC, JOLC and OVC. Rabo provided OAC a \$10 million
14 line of credit facility under a credit agreement dated February 19, 2008, which was secured by a
15 security interest in and lien on essentially all real and personal property owned by OAC, JOLC
16 and OVC. Rabo’s line of credit facility was later increased to \$14,641,757.21.

17 The grass seed industry has strong ties to the homebuilding industry. The “Great
18 Recession” of 2007 created a crisis of epic proportions in the homebuilding industry which, in
19 turn, caused a significant and sustained decrease in demand for grass seed. Those difficulties
20 harmed grass seed growers by further increasing the supply of grass seed and negatively
21 impacting pricing conditions. The market prices of OAC’s grass seed products dropped
22 precipitously in 2008, 2009 and 2010 as compared with the market prices during the prior three
23 year period. As a result, OAC’s revenues declined significantly and it suffered operating losses
24 in 2008, 2009 and 2010.

25 The confluence of these events profoundly affected OAC’s performance during the past
26 three fiscal years. OAC struggled financially since 2008 due to reduced sales and inadequate

1 working capital. The Rabo line of credit facility fell into default just months after that loan
2 closed, and the parties entered into a series of forbearance agreements beginning on November
3 28, 2008.

4 On April 25, 2011, Rabo gave OAC and the other co-borrowers and guarantors formal
5 notice of default under the AXA term loan (which Rabo purchased from AXA) and under the
6 line of credit loans. Rabo threatened to judicially foreclose its security interests and liens and to
7 seek the appointment of a receiver that would take control of OAC's business and of the assets of
8 OAC, JOLC and OVC.

9 During the spring of 2011, with its cash position severely depleted and no longer able to
10 pay its debts in the ordinary course of business, OAC evaluated its options and determined that
11 bankruptcy court protection was the only viable alternative for saving the business. JOLC, OVC
12 and OFFLP also evaluated its options in light of the defaults under the Rabo loans and concluded
13 that the best means for preserving value for their respective owners was to merge with each other
14 and with OAC and for the newly-formed company to reorganize its affairs under Chapter 11.

15 B. Commencement of the Chapter 11 Case

16 On June 1, 2011, immediately following the closing of the merger transaction, the
17 Company commenced this Chapter 11 case by filing a voluntary petition for relief under Chapter
18 11 of the Bankruptcy Code. No trustee has been appointed and the Debtor has continued to
19 manage its properties and affairs as debtor in possession pursuant to sections 1107 and 1108 of
20 the Bankruptcy Code.

21 C. Official Committee of Unsecured Creditors

22 The Bankruptcy Code provides for the appointment of an official committee of unsecured
23 creditors in a Chapter 11 case. This committee is generally composed of the seven largest
24 unsecured creditors that are willing to serve and is appointed by the United States trustee. In this
25 Chapter 11 case, the Official Committee of Unsecured Creditors (the "Committee") was formed
26 on June 9, 2011. The current members of the Committee and their respective representatives are:

1 Oregon Vineyard Supply Co., represented by Kevin Chambers; ORCO, Inc., represented by
 2 Howard Pope; Silver Dome Farms, represented by Travis Hill; and Hsr Master Planning and
 3 Architecture, LLC, represented by John Ralston. The Committee is represented by Mary Jo
 4 Heston of Lane Powell P.C.

5 D. Funding for Postpetition Obligations

6 Since the commencement of the Chapter 11 case, the Debtor has timely paid or
 7 performed all of its obligations incurred on or after the Petition Date. Its cash has come from
 8 two principal sources: (1) cash collateral of the Company's secured creditors to the extent
 9 permitted under the Interim and Final Orders Authorizing Debtor to Use Cash Collateral entered
 10 on June 3 and June 23, 2011, as Documents #23 and #96, respectively; and (2) cash advances
 11 made by Rabo under the terms of the debtor in possession loan facility approved by the Final
 12 Order Authorizing Debtor to Obtain Postpetition Secured Financing and Granting Adequate
 13 Protection to Prepetition Secured Parties entered on June 23, 2011, as Document #95.

14 E. Postpetition Operations

15 The following table sets forth selected financial data for the monthly periods indicated.
 16 This information should be read in conjunction with the financial statements and data included
 17 elsewhere in this Disclosure Statement. None of this financial data has been audited or reviewed
 18 by a certified public accountant and, accordingly, it may or may not be in accordance with
 19 generally accepted accounting principles.

20 <u>Income Statement Data:</u>	<u>June 2011</u>	<u>July 2011</u>	<u>August 2011</u>
21 Net revenues	\$186,975	\$460,064	\$1,561,957
22 Pre-tax operating income (loss)	(283,252)	(37,223)	440,434
23 Total non-recurring items	(315,908)	(195,029)	(219,199)
24 Net income (loss)	(780,183)	(416,595)	26,683

1 F. Important Case Developments

2 Since the commencement of this Chapter 11 case, the Debtor has taken a number of
3 actions designed to continue its business operations uninterrupted during the restructuring
4 process, raise additional cash and investment capital, and generally advance its business
5 reorganization and financial restructuring so that the Company can emerge from this bankruptcy
6 case as a viable enterprise. Summarized below are some of the more important developments in
7 the case to date.

8 1. Authorization to Use Cash Collateral. On June 3 and June 23, 2011, the
9 Court entered orders permitting the Debtor to use the cash proceeds of its accounts, payment
10 intangibles, farm products and inventory for the purposes of funding expenditures consistent
11 with a budget.

12 2. Authorization to Obtain Postpetition Secured Financing. On June 23,
13 2011, the Court entered an order (the "Postpetition Financing Order") approving, on a final
14 basis, the terms and provisions of a debtor in possession loan facility for a loan from Rabo (the
15 "DIP Loan") in an aggregate principal amount not to exceed \$3 million. Advances under the
16 DIP Loan can be used by the Debtor only to fund its expenses in accordance with a budget
17 (subject to the variances permitted in the order). Under the Postpetition Financing Order, among
18 other things, (i) the Debtor is obligated to pay Rabo a loan commitment fee of \$30,000, (ii)
19 interest on all DIP Loan obligations accrues at a fixed rate of ten percent (10%) per annum so
20 long as an Event of Default (as defined therein) has not occurred and is not continuing, and (iii)
21 all DIP Loan obligations will mature and become due and payable on the earlier of February 15,
22 2012 or the occurrence of certain defined events.

23 3. Payment of Certain Secured Claims. On August 23 and August 26, 2011,
24 the Court entered orders (i) authorizing the Debtor to pay the prepetition secured claim of Eola
25 Hills Wine Cellars, Inc. in an amount not to exceed \$131,252.95, and (ii) permitting Callisons,
26

1 Inc. d/b/a I.P Callisons and Sons to exercise its setoff rights so as to satisfy its prepetition claims
2 totaling approximately \$497,565.

3 4. Authorization to Sell Independence Property. On September 28, 2011, the
4 Court entered an order authorizing the Debtor to sell the undeveloped real property located in
5 Independence, Polk County, Oregon, consisting of approximately 66.49 acres, to the City of
6 Independence, free and clear of liens, for a purchase price of \$875,000. As of the date hereof,
7 the sale transaction has not closed.

8 5. Assumption of Unexpired Real Property Leases. On September 28, 2011,
9 the Court entered an order authorizing the Debtor to assume all 39 of its unexpired real property
10 leases under which it is the lessee.

11 6. Compromise of IRS' Secured Claims. The Debtor and the Internal
12 Revenue Service (the "IRS") have agreed to a compromise under which, among other things, the
13 IRS will abate (or waive) all penalties added to its secured tax claims against the Debtor in
14 exchange for the Debtor's payment of the IRS' secured tax claims, including all accrued but
15 unpaid interest on those taxes, as soon as practicable after the entry of a Court order approving
16 the compromise. The total amount of the tax penalties that will be abated under the compromise
17 is \$169,146.68.

18 7. Disposition Plan for Certain Owned Real Property. The Debtor has
19 engaged R.J. & L. Enterprises, Inc. d/b/a Realty Marketing/Northwest ("RMNW") as its licensed
20 real estate broker under an exclusive sealed bid marketing agreement to sell the owned real
21 properties commonly known or referred to as the Brownsville development site (20 ± acres), the
22 Hawaii lots (10 ± acres), the Koos Farm (156 ± acres) and the Koos Brownsville Farm (373 ±
23 acres). These properties, among others, will be offered for sale as part of a sealed bid offering
24 arrangement to be promoted by RMNW. Under the marketing agreement, among other things,
25 the scheduled auction offering will have a bid deadline of November 16, 2011, with closings to
26

1 occur by December 31, 2011 (subject to a 45-day extension at RMNW's request). These
 2 properties will be offered for sale subject to published reserve prices totaling \$3,575,000.

3 **V.**

4 **ASSETS AND LIABILITIES**

5 A. Assets

6 The Debtor's assets are comprised of current assets and long-term assets. Current assets
 7 consist of cash, accounts receivables, inventory, prepaid expenses and other liquid assets that are
 8 reasonably expected to be converted into cash within one year in the normal course of business;
 9 long-term assets are all other assets, principally fixed assets. A brief review of the Company's
 10 assets, by categories used for financial reporting purposes, is set forth below.

11 For purposes of this Disclosure Statement, unless otherwise noted, values are stated at
 12 their fair market value or net realizable value, in each case as reasonably determined by
 13 management based on information presently known and available to it, including appraisal
 14 reports. Accordingly, certain adjustments have been made to the Company's financial
 15 statements. These adjustments include (i) the write-off of receivables that are determined to be
 16 uncollectible, (ii) the write-down of inventory that has a fair market value less than its carrying
 17 value, and (iii) the write-up of owned real estate that has a fair market value greater than its book
 18 value. These adjustments have not been audited or reviewed by a certified public accountant and
 19 they might not be in accordance with generally accepted accounting principles.

20 1. Current Assets. Set forth below are the Debtor's current assets as of
 21 August 31, 2011:

22	Unrestricted cash	\$ 282,656
23	Accounts receivable (net)	1,263,401
	Inventories	4,522,093
24	Prepaid expenses	13,736
	Professional fee retainers	<u>19,255</u>
25	Total	\$6,101,142

1 2. Equipment. As of August 31, 2011, the book value of the Debtor's
2 furniture, fixtures and equipment, net of accumulated depreciation, was \$2,134,405.

3 3. Real Property. Set forth below are the Debtor's estimated fair market
4 values of its owned real property on a going concern basis as of August 31, 2011:

5	Brownsville Development	\$ 522,000
	Koos Brownsville	1,575,000
6	Koos Seven Mile Lane	1,437,000
	Sweetbriar	1,142,000
7	Kester	2,943,000
	Flicks Farm (aka Kennell)	446,000
8	Robison	1,440,000
	Edwards East	704,000
9	Edwards West	4,250,000
	Massey-Wells	6,400,000
10	Mulkey Hill	3,150,000
	Todd	900,000
11	Headquarters (aka Mulkey Suver)	1,663,000
	Mulkey Tracts	937,000
12	Nut Farm	1,820,000
	Pondsong (aka Olsen)	2,720,000
13	Hawaii	450,000
	Independence	875,000
14	Total	<u>\$33,374,000</u>

15
16 4. Other Assets. The Debtor's other material assets include (a) a production
17 purchase agreement with Callisons Inc. concerning the sale of peppermint oil, (b) grass seed
18 variety licenses, (c) the "Viridian" and "Olsen Family Farms" trade names, (d) insider
19 receivables, and (e) a claim against Benchmark Financial Groups for the return of a payment in
20 the amount of \$34,881.09 made by OAC in connection with a failed equipment leasing
21 transaction. The Debtor estimates that the total value of these assets is approximately
22 \$1,700,000.

23 B. Liabilities

24 1. Secured Claims. The Company is indebted to various creditors on claims
25 that are secured, in whole or in part, by the Company's assets. Under the Plan, these claims have
26 been placed in 11 classes. These claims are summarized below. The categories of secured

1 claims discussed below are for convenience and do not in all cases track the classes set forth in
2 the Plan.

3 a. Allegiance Premium Finance Co.'s Secured Claim. Allegiance
4 Premium Finance Co. holds a claim against the Company for a loan secured by a security interest
5 in unearned premium refunds and other rights under certain of the Company's insurance policies.
6 The Company's books indicate that on the Petition Date the amount of this claim was \$105,900.

7 b. Bank of the Cascades' Secured Claim. Bank of the Cascades holds
8 a judgment against James E. Olsen and Timothy M. Pickett based on a loan made to OLH
9 secured by a condominium located in Neskowin, Oregon. The amount of the judgment is
10 \$188,593.43. The judgment was registered in the Circuit Court of the First Circuit of the State of
11 Hawaii on October 18, 2010, which created a judicial lien on James E. Olsen's interest in the
12 Hawaii lots that were contributed to the Debtor by James and Erin Olsen in exchange for their
13 right to receive ownership interests in the Debtor.

14 c. BFS International, LLC's Secured Claim. BFS International, LLC
15 holds a claim against the Company for logistical services and freight provided to OAC. The
16 claim is secured by a security interest in certain perennial ryegrass seed harvested in 2007. The
17 Company's records indicate that on the Petition Date (i) the amount of this claim was \$21,134,
18 but that (ii) the book value of the collateral securing the claim was \$1,656.

19 d. IRS' Secured Claims. The IRS holds claims against the Company
20 for unpaid payroll withholding taxes of OAC and related penalties. These claims are secured by
21 statutory federal tax liens on all of the Company's personal property assets. The IRS asserts that
22 on the Petition Date the total amount of these claims was \$562,415.24 (inclusive of penalties
23 totaling \$169,148.68).

24 e. Ledeboer Seed, LLC's Secured Claim. Ledeboer Seed, LLC holds
25 a claim against the Company for unpaid royalties on licensed seed varieties and for the purchase
26 of certain seed varieties. The claim is secured by a security interest in certain grass seed variety

1 licenses. The Company's records indicate that on the Petition Date the amount of this claim was
2 \$20,000.

3 f. PMSI Equipment Secured Claims. Various creditors hold claims
4 against the Company for the price of equipment purchased by OAC from the creditors or for
5 loans made to OAC by these creditors for the purpose of enabling OAC to purchase equipment.
6 Certain of these claims are secured by a purchase money security interest in specific equipment.
7 These creditors include CNH Capital America LLC, Delage Landen Financial Services, Les
8 Schwab Tires, NMHG Financial Services Inc., Toyota Financial Services, and Willamette Ag
9 Financial Services Company.

10 g. Property Tax Lien Claims. The Company's real property and
11 equipment are subject to statutory liens that secure claims of governmental units for property
12 taxes, assessments, and similar impositions. As of the Petition Date, the total amount of the
13 unpaid prepetition property taxes was approximately \$262,194.

14 h. Puakea Bay Ranch Owners Association's Secured Claim. Puakea
15 Bay Ranch Owners Association (the "HOA") holds a claim for unpaid maintenance fees on the
16 Hawaii property that was conveyed to the Company by James and Erin Olsen in connection with
17 the merger transaction and for related collection expenses. This claim is secured by a lien on the
18 Hawaii property. The Debtor believes that as of the Petition Date the total amount of the HOA's
19 claim was approximately \$11,000.

20 i. Rabo Agrifinance, Inc's Secured Claims. Rabo holds claims
21 against the Company for borrowed money under loans made to OAC, JOLC, OVC and others.
22 These loans are discussed in Section IV.A above. The Company's records indicate that on the
23 Petition Date, (i) the total amount owed on account of the real estate term loan was \$14,243,454,
24 and (ii) the total amount owed on account of the line of credit loans was \$15,587,120.
25
26

1 j. West Coast Bank's Secured Claim. West Coast Bank holds a
2 claim against the Company for loans secured by a security interest in certain equipment.
3 According to West Coast Bank's proof of claim, on the Petition Date the total amount of the
4 claim was \$132,143.07.

5 2. Administrative Expense Claims. Administrative Expense Claims consist
6 primarily of (a) amounts owing to Rabo under the DIP Loan facility, (b) costs and expenses
7 incurred in connection with the operation of the Debtor's business after the Petition Date, (c)
8 claims of professionals who are or were employed at the expense of the Debtor's bankruptcy
9 estate, to the extent allowed by the Court, (d) fees and charges assessed against the bankruptcy
10 estate under 28 USC § 1930, including quarterly fees payable to the United States trustee, and (e)
11 a break-up fee in the amount of \$120,000 owing to Bacchus Capital, LP. Assuming the Effective
12 Date of the Plan is March 1, 2012, the Debtor projects that unpaid Administrative Expense
13 Claims will total approximately \$215,000, consisting of (i) approximately \$60,000 in
14 postpetition trade payables and other accrued expenses, (ii) approximately \$150,000 owing to
15 professionals, net of amounts provisionally paid through such date pursuant to Court orders, and
16 (iii) \$6,500 for United States trustee quarterly fees.

17 3. Priority Claims. The Debtor estimates that on the Effective Date unpaid
18 claims that arose before the Petition Date which are entitled to priority under section 507(a) of
19 the Bankruptcy Code will total approximately \$115,000. These priority claims consist of (a)
20 claims of employees for accrued, but unused, paid time off for vacation and sick leave which are
21 estimated to total less than \$15,000, and (b) unsecured claims of governmental units for unpaid
22 taxes which total approximately \$98,000.

23 4. General Unsecured Claims. In addition to those claims described above,
24 the Debtor is liable on a variety of other claims which are not entitled to priority under the
25 Bankruptcy Code. These claims include (a) the claims of OAC's unsecured trade creditors, (b)
26 the claims of secured creditors to the extent, in each case, that the value of the collateral securing

1 the claim is less than the allowed amount of the claim, and (c) the claims of counterparties to
2 contracts or leases that arise from the Debtor's rejection of contracts or leases. The Debtor
3 estimates that the total amount of general unsecured claims will be in the range of \$2.7 million to
4 \$3.0 million.

5 **VI.**

6 **DESCRIPTION OF THE PLAN**

7 A discussion of the principal provisions of the Plan is set forth below. The discussion of
8 the Plan which follows is a summary only and is qualified in its entirety by reference to the full
9 text of the Plan itself. You are urged to read the Plan in full and make a thorough review of its
10 terms in evaluating whether to accept or reject the Plan. If any inconsistency exists between the
11 summary herein and the Plan, the terms of the Plan control.

12 **A. Classification and Treatment of Claims and Equity Interests**

13 The Plan designates Classes of Claims and Equity Interests for purposes of voting on the
14 Plan and making distributions thereunder. All Claims other than Administrative Expense Claims
15 and Priority Tax Claims and all Equity Interests are placed in Classes under the Plan. A Claim
16 is classified in a particular Class only to the extent that the Claim falls within the description of
17 that Class and is classified in one or more other Classes to the extent that any remainder of the
18 Claim falls within the description of such other Classes.

19 A summary of the classification and treatment of Claims and Equity Interests under the
20 Plan is set forth in Section I.G. above. A creditor will receive a distribution under the Plan only
21 if such creditor is the holder of an Allowed Claim. Distributions under the Plan are in full
22 satisfaction of all Claims against the Debtor.

23 **B. Spin-Off of Vineyard Assets to VineyardCo**

24 On the Effective Date, or as soon thereafter as is practicable, (i) the Vineyard Assets will
25 be transferred to VineyardCo in transactions intended to qualify as a tax-free reorganization
26 within the meaning of section 368(a)(1)(D) of the Internal Revenue Code, (ii) VineyardCo's

1 ownership interests will be distributed to the New Owners on account of their ownership
2 interests in the Reorganized Debtor in a tax-free distribution pursuant to section 355 of the
3 Internal Revenue Code, and (iii) the Reorganized Debtor and VineyardCo will enter into an
4 agreement under which the Reorganized Debtor will provide to VineyardCo the administration
5 services, labor, supplies and materials necessary to grow, harvest and sell VineyardCo's grapes.
6 The Vineyard Assets are defined in the Plan as the Debtor's real property on which the vineyards
7 are located, all improvements, vines and farm products located on such real property , a note
8 receivable from the Reorganized Debtor in the amount of \$650,000 payable on or before
9 December 31, 2012, and \$50,000 in cash.

10 C. Continuation of Farming Operations

11 The Reorganized Debtor will continue the Debtor's farming operations on its owned and
12 leased real property. Its business will be comprised principally of producing and selling grass
13 seed, grains, peppermint, nursery stock, squash, hazelnuts and blueberries.

14 D. Disposition of Certain Owned Real Property

15 The Reorganized Debtor will sell, or complete the sale of transactions pending on the
16 Effective Date respecting, the owned real properties commonly known or referred to as the
17 Brownsville development site, the Hawaii lots, the Independence property, the Koos Farm, the
18 Koos Brownsville Farm and Sweetbriar Farm.

19 E. Plan Funding

20 The Plan will be funded by a combination of (i) the Debtor's cash on hand as of the
21 Effective Date, and (ii) cash that is collected or generated by the Reorganized Debtor and
22 VineyardCo after the Effective Date.

23 F. Distributions to Creditors

24 The provisions of the Plan that govern distributions to creditors and the resolution of
25 disputed and contingent claims are set forth in Article V of the Plan. Certain of those provisions
26 are summarized below.

1 1. Distributions Generally.

2 Distributions under the Plan will be made on or after the Effective Date, as more
3 specifically set forth in the Plan. Distributions to be made by the Reorganized Debtor under the
4 Plan ordinarily will be made by check drawn on a domestic bank. Withholding taxes and other
5 amounts required to be withheld under applicable law will be deducted from distributions.
6 Distributions to creditors pursuant to the Plan ordinarily will be delivered by regular mail,
7 postage prepaid, in an envelope addressed as directed in a request served on the Reorganized
8 Debtor as provided in the Plan, but if no such request is made, at the address shown in the
9 Debtor's schedules, as they may from time to time be amended, or, if a different address is stated
10 in a proof of claim duly filed with the Court, to such address.

11 2. Reserve Fund.

12 On the Effective Date, or as soon thereafter as is practicable, the Reorganized Debtor will
13 establish a Reserve Fund, which will consist of all Unclaimed Property, cash reserved for the
14 benefit of holders of Disputed Claims and Contingent Claims, and cash reserved pending the
15 resolution of disputes as to the identity of entities entitled to receive distributions under the Plan.

16 3. Undeliverable or Unclaimed Distributions.

17 For a period of 180 days after a distribution is made pursuant to the Plan, checks and
18 other property that are unclaimed (including checks that have been returned as undeliverable
19 without a proper forwarding address and checks that were not mailed or delivered because of the
20 absence of a proper address to which to mail or deliver the same) will be held in the Reserve
21 Fund for the holders of Allowed Claims entitled thereto. After the expiration of such 180 day
22 period, holders of Allowed Claims who have not claimed such Unclaimed Property will no
23 longer be entitled thereto, and the Claims of such holders will be deemed Disallowed for all
24 purposes.

1 4. Time Bar for Cashing Distribution Checks.

2 The Reorganized Debtor will have the right to stop payment on any check issued by it
3 under the Plan if such check is not negotiated within 60 days after the date of issuance. Requests
4 for reissuance of any check must be made to the Reorganized Debtor, by the holder of the
5 Allowed Claim to whom such check originally was issued, prior to the expiration of the 180 day
6 period. After such date, the holder of any such Claim who has failed to make a timely request
7 for reissuance of such a voided check will not be entitled to any other or further distribution
8 under the Plan on account of such voided check or such Claim.

9 5. Limitations on Amending Claims.

10 Except as otherwise provided in the Plan, after the Confirmation Date, a proof of claim
11 may be amended by the holder of such Claim solely to decrease, but not to increase, the amount
12 of such Claim.

13 G. Executory Contracts and Unexpired Leases

14 On the Effective Date, all executory contracts and unexpired leases of the Debtor not
15 previously rejected and not the subject of a pending motion to reject will be assumed by the
16 Reorganized Debtor, in each case, in accordance with the provisions and requirements of
17 sections 365 and 1123(b)(2) of the Bankruptcy Code. Any monetary amounts that are in default
18 under a contract or a lease that is assumed pursuant to the Plan will be satisfied by a cash
19 payment unless otherwise agreed.

20 **VII.**

21 **THE REORGANIZED DEBTOR AND VINEYARDCO**

22 A. Ownership and Management

23 1. Ownership.

24 The Plan provides that on the Effective Date all of the Debtor's Equity Interest will be
25 cancelled or exchanged for ownership interest in the Reorganized Debtor and that the ownership
26 interests in the Reorganized Debtor's newly formed subsidiary, VineyardCo, will be distributed

1 to the New Owners of the Reorganized Debtor on account of their ownership interests in the
 2 Reorganized Debtor. Except as otherwise determined by the Court and provided in the
 3 Confirmation Order, the ownership percentages of the New Owners in the Reorganized Debtor
 4 and in VineyardCo will be as follows:

5	Eleanor Ann Olsen	32.5%
	Robin G. Olsen	20.0%
6	Hiram G. Olsen Family Trust	17.5%
	Roger P. Olsen	18.0%
7	Erin L. Olsen	10.0%
	James E. Olsen	5.0%
8	Olsen Land Holding, LLC	5.0%

9 Options or other rights to acquire ownership interests in the Reorganized Debtor and/or
 10 in VineyardCo may be granted by these companies or by their respective owners after the
 11 Effective Date. The operating agreements of the Reorganized Debtor and VineyardCo will
 12 contain restrictions on the right of the New Owners to sell or otherwise dispose of their
 13 ownership interests.

14 2. Management.

15 The management and control of the Reorganized Debtor and VineyardCo and their
 16 respective businesses and affairs will be vested in a Board of Managers that will initially be
 17 composed of Eleanor Ann Olsen, James E. Olsen, Robin G. Olsen, Roger P. Olsen, and an
 18 independent manager to be appointed by majority vote of the Creditors that hold the five largest
 19 Allowed Class 13 Claims. Until the Reorganized Debtor has fulfilled its obligations under the
 20 Plan to the holders of Class 13 Claims, the number of managers shall be five, subject to the right
 21 of Eleanor Ann Olsen to appoint an additional manager. So long as the size of the Board is five,
 22 Eleanor Ann Olsen or her successor shall have the voting rights of two managers. On the
 23 Effective Date, or as soon thereafter as is practicable, the Board of Managers shall appoint a new
 24 Operations Director for the Reorganized Debtor. The Operations Director will be an ex officio
 25 member of the Board and will have the right to vote on a matter presented to the Board only if
 26

1 the number of votes cast in favor of and against the particular matter (counting Eleanor Ann
2 Olsen's vote as two votes) are the same.

3 Managers who are not employed by or under contract with the Reorganized Debtor will
4 receive annual manager's fees of \$25,000 plus reimbursement for reasonable expenses, payable
5 quarterly.

6 The executive officers of the Reorganized Debtor and VineyardCo will initially consist of
7 an Operations Director and a Farm Manager. The Marketing Director position currently held by
8 James E. Olsen will be eliminated. The new Operations Director will be identified and
9 employed as soon as reasonably practicable. The new Operations Director will not be an insider
10 of the Debtor and his or her compensation and benefits will be the subject of negotiation. Roger
11 P. Olsen will serve as the Farm Manager at an initial annual salary of \$75,000 plus benefits
12 which will include a company vehicle or vehicle allowance.

13 In addition, it is anticipated that James E. Olsen and Robin G. Olsen will perform
14 services to the Reorganized Debtor and to VineyardCo. The Reorganized Debtor is expected to
15 engage James E. Olsen, or a company controlled by him, under an employment contract or
16 independent contractor agreement to sell inventory in exchange for a salary or fixed base
17 payment, plus commissions, and for the use of a company vehicle or vehicle allowance. The
18 Reorganized Debtor also is expected to enter into a consulting contract with Robin G. Olsen for
19 a term not to exceed two years. The terms of these arrangements, including the nature of the
20 compensation to be paid to James E. Olsen and Robin G. Olsen, will be disclosed at or before the
21 confirmation hearing.

22 B. Financial Projections

23 The Debtor has prepared financial projections for the Reorganized Debtor and
24 VineyardCo based on the new capital structure contemplated by the Plan and on the treatment of
25 the Debtor's various claims under the Plan. In accordance with "fresh start" accounting
26 principles, the assets of the Reorganized Debtor and VineyardCo will be restated at fair values

1 and their respective liabilities will be restated at present values, in each case as of the Effective
 2 Date. Attached hereto as Exhibit A are projected balance sheets, income statements and cash
 3 flow statements for the Reorganized Debtor and VineyardCo, respectively, as of and for the four
 4 fiscal yearly periods beginning March 1, 2012 and ending February 29, 2016. These projections
 5 are based on a number of assumptions. The major assumptions for these projections are included
 6 as part of Exhibit A. The Debtor believes that the major assumptions on which these financial
 7 projections are based are reasonable and that the projected results are reasonably achievable by
 8 the Reorganized Debtor's management team. However, as is the case with all "forward looking"
 9 statements, no assurance can be given that the Reorganized Debtor and VineyardCo will be able
 10 to achieve the projected results. A discussion of the risks attendant to the Reorganized Debtor's
 11 and VineyardCo's performance of their business plans is contained in Section XI. below.

12 **VIII.**

13 **VOTING ON THE PLAN**

14 **A. Voting Eligibility**

15 In general, a holder of a claim or interest may vote to accept or reject a plan if both (1)
 16 the claim or interest is "allowed," which means generally that it is not disputed, contingent or
 17 unliquidated in amount, and (2) the claim or interest is part of a class that is impaired by the
 18 plan. If a creditor or equity interest holder will not receive any distribution under a plan in
 19 respect of such claim or interest, the Bankruptcy Code deems such holder to have rejected the
 20 plan and provides that the holder is not entitled to vote. On the other hand, if the claim or
 21 interest is part of a class that is not impaired, the Bankruptcy Code conclusively presumes that
 22 holder of such claim or interest has accepted the plan and provides that the holder is not entitled
 23 to vote. Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to
 24 be "impaired" under a plan unless (1) the plan leaves unaltered the legal, equitable, and
 25 contractual rights to which such claim or interest entitles the holder thereof, or (2)
 26 notwithstanding any legal right to an accelerated payment of such claim or interest, the plan (a)

1 cures all existing defaults (other than defaults resulting from the occurrence of events of
2 bankruptcy), (b) reinstates the maturity of such claim or interest as it existed before the default,
3 (c) compensates the holder of such claim or interest for any damages resulting from such
4 holder's reasonable reliance on such legal right to an accelerated payment, and (d) does not
5 otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles
6 the holder of such claim or interest.

7 Under the Plan, only the holders of allowed claims (or of disputed claims that are
8 temporarily allowed by the Court for voting purposes) in Classes 2, 8, 9, 10 and 13 and the
9 holders of allowed interest in Class 14 are entitled to vote. All other Classes of claims are not
10 impaired under the Plan and are deemed to have accepted the Plan without voting.

11 B. Voting Deadline

12 The deadline for submitting completed ballots is 5:00 p.m. (prevailing Pacific Time) on
13 the date set forth in the Disclosure Statement Approval Order (the "Voting Deadline"). Only
14 those ballots that are actually received by the Voting Deadline will be counted as either
15 accepting or rejecting the Plan.

16 C. Acceptance By a Class

17 As a condition to confirmation, the Bankruptcy Code requires, among other things, that
18 (1) at least one class of claims that is impaired under the plan accepts the plan, determined
19 without including any acceptance of the plan by any insider, and (2) except under certain
20 circumstances, each class of claims or interests that is impaired under the plan accepts the plan.
21 Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by an impaired class of
22 claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in
23 number of claims in that class, but for that purpose counts only the votes of those creditors who
24 actually vote to accept or reject the plan. Section 1126(d) of the Bankruptcy Code defines
25 acceptance of a plan by an impaired class of interests as acceptance by holders of at least two-

1 thirds in amount of the allowed interests in that class, but for that purpose counts only the votes
2 of those equity holders who actually vote to accept or reject the plan.

3 D. Voting Procedures

4 1. Submission of Ballots.

5 A form of ballot is included among the materials that accompany this Disclosure
6 Statement. All votes to accept or reject the Plan must be cast by properly submitting a duly
7 completed and executed ballot. Ballots must be delivered to the voting agent designated in the
8 ballot at the address or fax number set forth on the ballot form and must be received by the
9 Voting Deadline. The method of delivery of a ballot is at the election and risk of the voting
10 creditor. Please carefully follow the directions contained in the enclosed ballot.

11 2. Incomplete Ballots.

12 Any ballot received which is not signed, which does not contain sufficient information to
13 permit the identification of the claimant, or which does not indicate either an acceptance or
14 rejection of the Plan or which indicates both acceptance and rejection of the Plan will be invalid
15 and will not be counted as a vote cast with respect to the Plan.

16 3. Withdrawal or Change of Votes.

17 A ballot may be withdrawn by delivering a written notice of withdrawal to the voting
18 agent at any time prior to the Voting Deadline. Thereafter, a withdrawn ballot will not be
19 effective unless approved by the Bankruptcy Court. In order to be valid, a notice of withdrawal
20 must (i) specify the name of the holder who submitted the vote on the Plan to be withdrawn, (ii)
21 contain a description of the Claim or Equity Interest to which it relates, and (iii) be signed by the
22 holder in the same manner as on the ballot. The Debtor expressly reserves the right to contest
23 the validity of any such withdrawals of votes on the Plan.

24 Any creditor or equity interest holder who has submitted to the voting agent a properly
25 completed ballot prior to the Voting Deadline may change such vote by submitting to the voting
26 agent prior to the Voting Deadline a subsequent properly completed ballot. In the case where

1 more than one timely, properly completed ballot is received with respect to the same Claim or
2 Equity Interest, the ballot that bears the latest date will be counted.

3 4. Voting Multiple Claims.

4 Only one form of ballot is provided for voting. Any creditor that holds claims in more
5 than one Class or multiple claims within a Class is required to vote separately with respect to
6 each claim. Please sign, and return in accordance with the instructions on the ballot form, a
7 separate ballot with respect to each such claim.

8
9 **IX.**

10 **CONFIRMATION OF THE PLAN**

11 A. Confirmation Hearing

12 The Bankruptcy Court will hold a hearing to consider confirmation of the Plan on the
13 date and at the time set forth in the Disclosure Statement Approval Order in Courtroom No. 6 of
14 the Wayne L. Morse Courthouse, 405 E. 8th Avenue, Eugene, Oregon. The confirmation hearing
15 may be adjourned from time to time by the Bankruptcy Court without further notice, except for
16 an announcement of the adjourned date and time made at the confirmation hearing.

17 B. Deadline for Objecting to Confirmation

18 Any objection to confirmation to the Plan must be in writing, must state with specificity
19 the grounds for any such objections, and must be filed with the Bankruptcy Court on or before
20 the date fixed by the Bankruptcy Court in the Disclosure Statement Approval Order.

21 C. Requirements for Confirmation

22 1. Confirmation Requirements Generally.

23 The Bankruptcy Court can confirm the Plan only if all the requirements of section 1129
24 of the Bankruptcy Code are met. Among the requirements for confirmation are that (i) the plan
25 be accepted by all impaired classes of claims and of interests or, if rejected by an impaired class,
26 the plan “does not discriminate unfairly” and is “fair and equitable” as to such class, (ii) the plan

1 is feasible, and (iii) the plan is in the “best interest” of creditors and equity interest holders that
2 are impaired under the plan.

3 2. Feasibility.

4 In connection with confirmation with the Plan, the Bankruptcy Court will have to
5 determine that the confirmation of the Plan is not likely to be followed by the liquidation or the
6 need for further financial reorganization of the Reorganized Debtor or VineyardCo unless such
7 liquidation or reorganization is proposed in the Plan. The Debtor believes that the Reorganized
8 Debtor and VineyardCo will be able to perform their respective obligations under the Plan. See
9 Section VII. above.

10 3. Best Interests of Creditors.

11 Section 1129(a)(7) of the Bankruptcy Code requires that any holder of a claim or interest
12 in an impaired class that votes against a proposed plan must receive under the plan distributions
13 that have a value, as of the effective date of the plan, at least equal to that which the holder
14 would receive if the debtor’s assets were liquidated under Chapter 7 of the Bankruptcy Code. To
15 determine what creditors and equity interest holders would receive if the Debtor were liquidated,
16 the court must determine the dollar amount that would be generated from a liquidation of its
17 assets in the context of a hypothetical liquidation. Such determination must take into account the
18 fact that, as to each asset, all claims secured by that asset would have to be paid in full, as would
19 all administrative expenses in the Chapter 7 case and in the original Chapter 11 case, before the
20 balance of those proceeds would be made available to pay unsecured creditors and equity interest
21 holders.

22 To determine if a plan is in the best interest of each impaired class, the present value of
23 the distributions from the proceeds of the hypothetical liquidation of the assets (after subtracting
24 the amount attributable to secured claims and administrative expenses of the bankruptcy case)
25 must be compared with the present value of the consideration offered to each such class under
26 the plan. In addition, the rule of absolute priority of distribution from a debtor’s estate must be

1 applied. Under that rule, no junior holder of a claim or equity interest may receive distributions
2 under a plan unless the plan provides that all senior classes will be paid in full or unless all
3 senior classes vote to accept the plan.

4 After consideration of the effect that a Chapter 7 liquidation would have on the ultimate
5 proceeds available for distribution to the Debtor's creditors and equity interest holders (including
6 (i) the increased cost and expense of liquidation under Chapter 7 arising from fees payable to a
7 Chapter 7 trustee and the attorneys and other professional advisors to such trustee, (ii) the time
8 value of money resulting from what is likely a more protracted proceeding, and (iii) the
9 application of the rule of absolute priority to distributions in a Chapter 7 case), the Debtor has
10 determined that the Plan will provide each creditor in an impaired Class with a greater recovery
11 than that which such creditor would receive in a Chapter 7 case concerning the Debtor.

12 The Debtor estimates that in a liquidation case under Chapter 7, the holders of general
13 unsecured claims would not realize any recovery on their claims. A liquidation analysis is
14 attached hereto as Exhibit B.

15 All general unsecured creditors will recover under the Plan more than they would in a
16 Chapter 7 case. The holders of unsecured claims in Class 12 (i.e., those that do not fall in other
17 Classes and are less than \$2,000 each or are reduced to \$2,000 by election) will receive lump-
18 sum payments on the Effective Date equal to the allowed amounts of their claims. The holders
19 of unsecured claims in Class 13 (i.e., those that do not fall in other Classes) are projected to
20 receive cash distributions over a period of four years that total the allowed amounts of their
21 claims plus interest thereon from and after the Effective Date at the rate of five percent per
22 annum.

23 **D. Confirmation Over Dissenting Class**

24 The Bankruptcy Code permits confirmation of a plan even if it is not accepted by all
25 impaired classes, as long as (i) the plan otherwise satisfies the requirements for confirmation, (ii)
26 at least one impaired class of claims has accepted it without taking into consideration the votes

1 of any insiders in such class, and (iii) the plan is “fair and equitable” and does not “discriminate
2 unfairly” as to any impaired class that has not accepted the plan. These so-called “cramdown”
3 provisions are set forth in section 1129(b) of the Bankruptcy Code.

4 1. Fair and Equitable.

5 The Bankruptcy Code establishes different “cramdown” tests for determining whether a
6 plan is “fair and equitable” to dissenting impaired classes of secured creditors, unsecured
7 creditors, and equity interest holders as follows:

8 a. Secured Creditors. A plan is fair and equitable to a class of
9 secured claims that rejects the plan if the plan provides: (a) that each of the holders of the
10 secured claims included in the rejecting class (i) retains the liens securing the claim to the extent
11 of the allowed amount of such claim, whether the property subject to those liens is retained by
12 the debtor or transferred to another entity, and (ii) receives on account of its secured claim
13 deferred cash payments having a present value, as of the effective date of the plan, at least equal
14 to such holder’s interest in the estate’s interest in such property; (b) that each of the holders of
15 the secured claims included in the rejecting class realizes the “indubitable equivalent” of its
16 allowed secured claim; or (c) for the sale, subject to section 363(k) of the Bankruptcy Code, of
17 any property that is subject to the liens securing the claims included in the rejecting class, free
18 and clear of such liens with such liens to attach to the proceeds of sale, and the treatment of such
19 liens on proceeds in accordance with clause (a) or (b) of this paragraph.

20 b. Unsecured Creditors. A plan is fair and equitable as to a class of
21 unsecured claims that rejects the plan if the plan provides that: (a) each holder of a claim
22 included in the rejecting class receives or retains under the plan property of a value, as of the
23 effective date of the plan, equal to the amount of its allowed claim; or (b) the holders of claims
24 and interests that are junior to the claims of the rejecting class will not receive or retain any
25 property under the plan.

26 c. Holders of Equity Interests. A plan is fair and equitable as to a

1 class of equity interests that rejects the plan if the plan provides that: (a) each holder of an equity
2 interest included in the rejecting class receives or retains under the plan property of a value, as of
3 the effective date of the plan, equal to the greatest of the allowed amount of (i) any fixed
4 liquidation preference to which such holder is entitled, (ii) the fixed redemption price to which
5 such holder is entitled, or (iii) the value of the interest; or (b) the holder of any interest that is
6 junior to the interests of the rejecting class will not receive or retain any property under the plan.

7 The Debtor believes that the Plan and the treatment of all impaired Classes under the
8 Plan satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

9 2. Unfair Discrimination.

10 A plan of reorganization does not “discriminate unfairly” if a dissenting class is treated
11 substantially equally with respect to other classes similarly situated and no class receives more
12 than it is legally entitled to receive for its claims or interests. The Debtor believes that the Plan
13 does not discriminate unfairly against any impaired Class.

14 Under the Plan, non-priority unsecured claims are divided into two classes. Class 12 is
15 not impaired by the Plan; Class 13 is impaired by the Plan. The business justification for treating
16 the unsecured claims in Class 12 (i.e., those that do not fall in other Classes and are less than
17 \$2,000 each or are reduced to \$2,000 by election) differently than those in Class 13 is
18 administrative convenience as permitted by section 1122(b) of the Bankruptcy Code. The
19 Debtor proposes to pay the claims in both classes in full. By paying the claims in Class 12 on
20 the Effective Date, however, the number of claims in Class 13 will be reduced from
21 approximately 165 to less than 75.

22 E. Effects of Confirmation

23 1. Vesting of Estate Property.

24 Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective
25 Date, all property of the Estate other than the Vineyard Assets will vest in the Reorganized
26 Debtor and the Vineyard Assets will vest in VineyardCo, in each case, free and clear of all

1 Claims, liens, charges, encumbrances and other interests of Creditors and Equity Interest
2 Holders. As of the Effective Date, the Reorganized Debtor and VineyardCo may use and
3 dispose of and otherwise deal with such property and may conduct their affairs, in each case,
4 without supervision of the Bankruptcy Court and free of any restrictions imposed by the
5 Bankruptcy Code or the Bankruptcy Rules other than those restrictions expressly imposed by the
6 Plan or the Confirmation Order.

7 2. Discharge.

8 Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective
9 Date, the Debtor, the Reorganized Debtor and VineyardCo, and each of them, will be discharged
10 from all liability on any or all Claims that arose before the Confirmation Date or that are of a
11 kind specified in section 502(g), 502(h) or section 502(j) of the Bankruptcy Code.

12 3. Exculpation.

13 Section 8.4 of the Plan provides:

14 **Neither the Debtor nor the Committee, nor any of their respective managers,**
15 **members, representatives or agents who served as such during this Chapter**
16 **11 case, shall have or incur any liability to any Creditor or Equity Interest**
17 **Holder, or to any other entity, for any act or omission in connection with or**
18 **arising out of the Chapter 11 case or the pursuit of confirmation of the Plan,**
19 **except for liability based on willful misconduct or gross negligence, and, in**
20 **all respects, the Reorganized Debtor, VineyardCo and their respective**
21 **managers and agents shall be entitled to rely upon the advice of counsel with**
22 **respect to their duties and responsibilities under this Plan; provided,**
23 **however, that the foregoing protection shall not apply to benefit attorneys or**
24 **other professional persons employed by the Debtor or the Committee.**

20 4. Effect on Insurance Policies.

21 Section 8.5 of the Plan addresses insurance policies issued to the Debtor and the various
22 agreements related to such policies.

23 5. Termination of Creditors' Committee.

24 On the Effective Date, the Committee will be dissolved.
25
26

1 **X.**

2 **ALTERNATIVES TO THE PLAN**

3 The Debtor believes that the Plan affords its creditors and equity interest holders the
4 greatest opportunity for realization on its assets and the greatest possible value that could be
5 realized on their claims and interests. The Debtor also believes that the Plan is fair to and
6 reasonable in its treatment of all constituencies. Possible alternatives to the Plan which might
7 arise if the Plan is rejected or if the Court refuses to confirm the Plan include: (i) dismissal of
8 this Chapter 11 case; (ii) conversion of this Chapter 11 case to a case under Chapter 7 of the
9 Bankruptcy Code, which would entail the mandatory appointment of a trustee; (iii) submission
10 by the Debtor of an alternative plan or the filing by another party in interest of an alternative or
11 competing plan; and (iv) the appointment of a Chapter 11 trustee for the purpose of operating the
12 Debtor's business, administering the Debtor's assets, and filing an alternative plan.

13 **XI.**

14 **RISK FACTORS**

15 This Disclosure Statement contains "forward-looking" statements that involve risks and
16 uncertainties. The following discussion is intended to be a non-exclusive summary of certain of
17 these risks and uncertainties. Creditors and equity interest holders should consider carefully
18 these risks and are encouraged to supplement this summary with their own analysis and
19 evaluation of the Plan.

20 The respective business plans of the Reorganized Debtor and VineyardCo contemplate
21 the achievement of certain crop yields, sales goals, pricing levels, and margins on sales. It is, of
22 course, impossible to predict accurately the results of future operations. Each business is subject
23 to substantial risks. The principal risks relate to the uncertainties of farming and viticultural
24 operations in general and to changes in market conditions that affect the Reorganized Debtor's
25 and VineyardCo's various products. If the Reorganized Debtor or VineyardCo is unable to
26

1 achieve the projected results, it may be unable to generate sufficient cash to fund its ongoing
2 operations and perform its obligations to creditors under the Plan. Management
3 believes, however, that its financial projections are based on reasonable assumptions and that the
4 projected results are reasonably achievable.

5 Business Risks. The ability of the Reorganized Debtor and VineyardCo to perform their
6 respective obligations under the Plan is subject to the risks generally incident to the operation of
7 a farming or viticultural business, as the case may be. These businesses are cyclical and are
8 significantly affected by general economic and other conditions. These risks include: those
9 relating to the seasonal nature of the business; the uncertainty of cash flows; adverse changes in
10 national or local economic conditions; crop price swings; reduced crop yields and/or product
11 quality due to weather, disease, pests, hail, storms, flooding or other acts of God (which may or
12 may not result in uninsured losses); potential liability under environmental laws; and other
13 factors that are beyond the reasonable control of management.

14 Changing Market Conditions. The ability of the Reorganized Debtor and VineyardCo to
15 perform their respective obligations under the Plan is dependant largely on operating cash flows.
16 These cash flows are subject to risks relating to market conditions, internationally as well as
17 within the region. Market conditions would be expected to change adversely if, among other
18 things: the supply of crops or other agricultural or viticultural products produced by either of
19 them begins to exceed demand; economic conditions deteriorate in the markets in which they sell
20 their products; the interest rate environment changes; tax conditions change; or commodity
21 prices decline.

22 Governmental Regulation. The respective businesses of the Reorganized Debtor and
23 VineyardCo are subject to a variety of federal, state and local statutes, ordinances, rules and
24 regulations. Changes in such government regulation may result in increased costs of property
25 ownership and/or of producing and selling farm or viticultural products or in reduced revenues
26 from federal crop programs.

1 or its own tax advisor as to the consequences of the Plan under federal and applicable state, local
2 and foreign tax laws.

3 B. Tax Consequences to the Reorganized Debtor

4 The Debtor is a limited liability company that has elected to be taxed as a partnership for
5 federal income tax purposes. Accordingly, the consummation of the Plan is not expected to
6 result in any direct income tax consequences for the Reorganized Debtor.

7 C. Tax Consequences to Holders of General Unsecured Claims

8 Under the Plan, holders of Allowed Unsecured Claims will receive one or more Cash
9 distributions in full satisfaction of their Claims.

10 1. Gain or Loss.

11 In connection with the implementation of the Plan, each holder of an Allowed Unsecured
12 Claim generally will recognize gain or loss for federal income tax purposes. The timing and
13 amount of that gain or loss will depend upon a number of factors, including whether the holder
14 reports income as an accrual basis taxpayer or as a cash basis taxpayer, whether the holder will
15 receive multiple distributions pursuant to the Plan and whether the Reorganized Debtor's
16 obligation to make payments will be treated as a new debt obligation for federal income
17 purposes. It is possible that any loss, or a portion of any gain, realized by a creditor may have to
18 be deferred until all distributions to the creditor are received.

19 In addition, the character of any gain or loss recognized by a creditor as long-term or
20 short-term capital gain or loss or as ordinary income or loss will be determined by a number of
21 factors, including the tax status of the creditor, whether the obligation from which the creditor's
22 claim arose constitutes a capital asset in the hands of the creditor, whether the obligation from
23 which the claim arose has been held for more than one year, the allocation of any distributions
24 received between principal and unpaid accrued interest, whether and to what extent the creditor
25 has previously claimed a bad debt deduction, and the extent (if any) to which interest may be
26 imputed where multiple distributions are received.

1 2. Federal Income Tax Consequences of the Reserve Fund.

2 The Debtor believes that any interest earned in respect of the Reserve Fund will be
3 recognized as income to the Reorganized Debtor, but there is no assurance the IRS will not
4 assert a contrary position and be sustained by the courts. Under section 468B(g) of the Internal
5 Revenue Code, amounts earned by an escrow account, settlement fund or similar fund or account
6 must be subject to current tax. The manner by which this is done is prescribed in the Internal
7 Revenue Code provisions governing the taxation of an account or fund as a grantor trust or
8 otherwise.

9 3. Backup Withholding.

10 All payments to creditors are subject to any applicable withholding (including
11 employment tax withholding). Under the Internal Revenue Code, interest, dividends and other
12 “reportable payments” may, under certain circumstances, be subject to “backup withholding” at
13 a 28 percent rate. Backup withholding generally applies if the holder (a) fails to furnish his or
14 her social security number or other taxpayer identification number (“TIN”), (b) furnishes an
15 incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain
16 circumstances, fails to provide a certified statement, signed under penalty of perjury, that the
17 TIN provided is the correct number and that such holder is not subject to backup withholding.
18 Backup withholding is not an additional tax but merely an advance payment that may be
19 refunded to the extent it results in an overpayment of tax, provided that the required information
20 is furnished to the IRS. Certain entities are exempt from backup withholding, including, in
21 certain circumstances, corporations and financial institutions. The Reorganized Debtor will
22 comply with all applicable reporting requirements of the Internal Revenue Code and will
23 withhold all amounts required by law to be withheld from payments to creditors.

24 D. Tax Consequences to Equity Interest Holders

25 Equity Interest Holders will be required to pay federal income taxes on their allocated
26 shares of the income generated by the Reorganized Debtor and VineyardCo during the life of the

1 Plan regardless of whether either company distributes any cash to them. In addition, upon the
2 sale or other taxable disposition of a membership interest in the Reorganized Debtor or in
3 VineyardCo or of all or part of either company’s assets, an Equity Interest Holder may be
4 required to recognize gain in excess of the holder’s basis. With regard to the spin-off of the
5 Vineyard Assets on the Effective Date, the Debtor believes that the transfer of those assets to
6 VineyardCo will qualify as a tax-free type D reorganization under section 368(a)(1)(D) of the
7 Internal Revenue Code. The distribution of VineyardCo’s ownership interests by the
8 Reorganized Debtor to the New Owners is also expected to qualify as a tax-free distribution
9 pursuant to section 355 of the Internal Revenue Code.

10 **XIII.**

11 **CONCLUSION AND RECOMMENDATION**

12 The Debtor believes that confirmation and implementation of the Plan is preferable to
13 any alternative because it will provide the greatest recoveries to its creditors and equity interest
14 holders. For this reason, the Debtor urges all creditors entitled to vote on the Plan to accept the
15 Plan.

16 Dated: September 29, 2011

Olsen Agricultural Enterprises LLC,
an Oregon limited liability company

17
18 By /s/ Roger P. Olsen
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