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Of Attorneys for Rabo Agrifinance, Inc.

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF OREGON

In re:

Olsen Agricultural Enterprises LLC,
an Oregon limited liability company,

Debtor.

Bankruptcy Case No. 11-62723

**RABO AGRIFINANCE'S OBJECTIONS
TO DEBTOR'S DISCLOSURE
STATEMENT**

Rabo Agrifinance, Inc. ("Rabo") files this Objection to Disclosure Statement for Debtor's Plan of Reorganization (Dated September 29, 2011) (Docket #223) ("Disclosure Statement"). Rabo's objections, by page number and section identification in the Disclosure Statement, are set forth below:

Page 6, I.G.5 – The Debtor's "original members" are to be paid an amount not to exceed \$100,000 for attorney fees incurred in connection with the reorganization. The Disclosure Statement should identify the "original members," how the funds will be paid

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DISCLOSURE STATEMENT**

if the fees exceed \$100,000, and the legal basis for paying the attorney fees of these members.

Page 9, III.B.3 – The debtor has 39 real property leases, and 30 of these are farm leases. This is a farming operation. The Disclosure Statement should explain what are the other nine leases.

Page 11-12, III.E.2 – The Disclosure Statement describes related party and "stockholders" receivables and notes payable, totaling over \$2 million, but nowhere in the Disclosure Statement or Plan is an explanation of how these will be treated. That needs to be added. Additionally, there is an inconsistency between the schedules and the numbers shown here for at least one related party. Carolyn Olsen, who is not a member of the Debtor but is a related party (mother of three of the members), holds a note for \$582,744 and owes a receivable of \$130,866, for a net of \$451,878. However, the schedules list her claim against the debtor as \$667,741. Which is correct?

Page 12, III.E.3 – The Disclosure Statement states that there is an MOU that obligates the Debtor to transfer the Kester Farm to Roger Olsen, free of liens. The Kester Farm is collateral for the Rabo obligation, and has an appraised value of approximately \$3 million. There is no explanation of how the Debtor will perform this MOU in light of the large lien on the property, when it is to be performed, and what the damages might be for failure to perform.

Page 12, III.F and pages 18-19, V.A – The book value of the assets on June 1, 2011 was \$29.8 million. The Debtor now states the value is over \$41 million. This increase in value of over 38% needs a better explanation in the Disclosure Statement.

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Page 19, V.A.3 – The Debtor provides a value for each parcel of property owned by the Debtor. These values are less than earlier values at the hearing to obtain financing, and in many cases are equivalent to the values put on the property by Rabo's appraisals. But in some cases the values are significantly higher. The Disclosure Statement should provide a better explanation of how these values were derived, and it should be disclosed that there are appraisals at lower values.

Page 20, V.B.1.b – The judgment lien of Bank of Cascades on the Hawaii property is behind Rabo's lien on that property. The Disclosure Statement should describe the relative priority and the fact that Bank of Cascades has an unsecured claim. This is also a classification error.

Page 22, V.B.2 – The description of administrative claims omits the potential administrative claims of secured creditors for loss of cash collateral provided in the Order Approving Use of Cash Collateral. These are significant. Under the Debtor's Plan, the Debtor will use funds from sales of Rabo's collateral to fund its plan, leaving Rabo with an administrative claim equal to the lesser of the value of the property sold or the cash collateral used by the Debtor. This will be about \$4 million.

Page 22, V.B.3 – The priority claims to be paid by Debtor need to be better explained. Are the insiders included in the employees to receive accrued but unused time off, and what are the priority taxes in the amount of \$98,000?

Page 24, VI.D – The sale of the four properties described in the Disclosure Statement is central to the Debtor's Plan. Without these funds the Debtor does not have resources to pay administrative claims and will not have capital for 2012. Rabo will

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object to the use of these funds from the sale of its collateral, and the properties may not sell. The Disclosure Statement should disclose these problems, and describe what the Debtor will do if it cannot use the funds and/or the properties do not sell.

Page 28, VII.A.2 – The managers who do not work for the Debtor are to receive an annual fee of \$25,000. The Disclosure Statement should describe the legal basis for paying such a fee and what duties will be expected of these managers, who will also be owners of the Debtor.

Dated: November 3, 2011

Respectfully submitted,

McEwen Gisvold LLP

By /s/ James Ray Streinz

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Attorneys for Creditor Rabo Agrifinance, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I caused to be served the foregoing **RABO AGRIFINANCE'S OBJECTIONS TO DEBTOR'S DISCLOSURE STATEMENT** by electronic means through the Court's Case Management/Electronic Case File system on all ECF participants on November 3, 2011.

McEWEN GISVOLD LLP

By: /s/ James Ray Streinz

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