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7  
8 IN THE UNITED STATES BANKRUPTCY COURT  
9 DISTRICT OF OREGON

10 In re ) Case No. 12-35080-rld11  
11 PETER DEHAAN HOLSTEINS, LLC, )  
12 Debtor. )  
13 )  
14 )

15  
16  
17 **DISCLOSURE STATEMENT PURSUANT TO 11 U.S.C. § 1125 FOR  
DEBTOR'S PLAN OF REORGANIZATION, DATED JANUARY 30, 2013**

18  
19 **THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE  
20 COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF  
21 SECTION 1125 OF THE BANKRUPTCY CODE. IF YOU HAVE REQUESTED AND  
22 RECEIVED A COPY OF THIS DISCLOSURE STATEMENT IN CONNECTION WITH  
23 THE COURT'S HEARING TO CONSIDER APPROVAL OF THE DISCLOSURE  
24 STATEMENT, NOTHING CONTAINED HEREIN IS OR SHALL BE DEEMED A  
25 SOLICITATION OF ACCEPTANCE OF THE PLAN OF REORGANIZATION.**  
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**TABLE OF CONTENTS**

1

2 I. SUMMARY OF THE PROPOSED PLAN OF REORGANIZATION..... 2

3 A. Summary of Proposed Treatment of Unclassified Claims ..... 2

4 1. Administrative Claims ..... 2

5 2. Priority Tax Claims..... 3

6 B. Summary of Proposed Treatment of Classified Claims ..... 3

7 Class 1. Northwest Farm Credit Services, PCA (“NWFCS”)

8 Secured Claim..... 3

9 Class 2. Agricultural Services Lien Claims

10 (“ASL Claims”)..... 6

11 Class 3. John Deere Secured Claims..... 7

12 Class 4. Naeda Financial, LLC Secured Claim..... 7

13 Class 5. Convenience Unsecured Claims. .... 8

14 Class 6. General Unsecured Claims..... 8

15 Class 7. Pete DeHaan LLC Membership Interests. .... 8

16 C. Recommendation Of the Debtor ..... 9

17 II. DESCRIPTION OF THE DEBTOR AND EVENTS LEADING TO CHAPTER 11

18 FILING ..... 9

19 III. SIGNIFICANT EVENTS SINCE THE PETITION DATE ..... 11

20 IV. IMPLEMENTATION OF PLAN, FEASIBILITY AND RISKS ..... 12

21 V. MANAGEMENT OF THE REORGANIZED DEBTOR ..... 14

22 VI. DEFAULT ..... 14

23 VII. ALTERNATIVES TO PROPOSED PLAN OF REORGANIZATION ..... 14

24 A. Dismissal ..... 14

25 B. Chapter 7 Liquidation ..... 14

26 C. Adoption of a Different Plan..... 15

1 VIII. AVOIDANCE ACTIONS ..... 15

2 IX. SETOFFS ..... 15

3 X. EFFECT OF CONFIRMATION ..... 16

4 A. Discharge ..... 16

5 B. Effect of Discharge ..... 16

6 C. Vesting ..... 16

7 XI. MODIFICATION OR WITHDRAWAL OF THE PLAN..... 16

8 XII. RETENTION OF JURISDICTION ..... 17

9 XIII. TAX CONSEQUENCES ..... 17

10 XV. ACCEPTANCE AND CONFIRMATION ..... 18

11 A. Voting Procedures ..... 18

12 1. Generally..... 18

13 2. Submission Of Ballots..... 19

14 3. Incomplete Ballots..... 19

15 4. Withdrawal Of Ballots; Revocation..... 19

16 B. Feasibility..... 20

17 C. Best Interests Of Creditors ..... 20

18 D. Confirmation Over Dissenting Class..... 20

19 1. No Unfair Discrimination ..... 21

20 2. Fair and Equitable Test..... 21

21 (a) Secured Creditors..... 21

22 (b) Unsecured Creditors..... 21

23 E. Confirmation Hearing and Plan Objection Deadline ..... 22

24 XV. GENERAL PROVISIONS ..... 22

25 A. Extension Of Payment Dates..... 22

26 B. Notices ..... 22

1	C. Closing of the Case .....	22
2	D. Additional Assurances .....	23
3	E. Confirmation By Nonacceptance Method .....	23
4	F. Severability And Reformation .....	23
5	G. Prohibition Against Prepayment Penalties.....	23
6	H. Payment Of Statutory Fees And Filing of Quarterly Reports .....	24
7	I. Reservation of Rights .....	24
8	J. Exemption.....	24
9		
10		
11		
12		
13		
14		
15		
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Peter DeHaan Holsteins, LLC (the “Debtor”) provides this Disclosure Statement (the “Disclosure Statement”) to disclose information deemed to be material, important, and necessary for creditors and other interested parties to arrive at a reasonably informed decision in exercising their rights to vote for acceptance of the Debtor’s Plan of Reorganization, dated January 30, 2013 (the “Plan”) filed herewith.

This Disclosure Statement is submitted in accordance with Section 1125 of title 11 of the United States Code (the “Bankruptcy Code”) for the purpose of soliciting acceptances of the Plan from holders of certain Claims. The Court has approved this Disclosure Statement as containing adequate information of a kind, and in sufficient detail, to enable you to make an informed judgment whether to vote to accept or reject the Plan.

All capitalized terms used but not defined herein shall have the meanings given to them in the Plan, or as defined elsewhere in this Disclosure Statement.

**Limited Representations.**

This Disclosure Statement is submitted in accordance with Section 1125 of the Bankruptcy Code for the purpose of soliciting acceptances of the Plan from holders of certain Claims. The Court has approved this Disclosure Statement as containing information of a kind, and in sufficient detail, which is adequate to enable you to make an informed judgment whether to vote to accept or to reject the Plan.

**THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN WHICH ACCOMPANIES IT, SHOULD BE READ COMPLETELY. FOR THE CONVENIENCE OF CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE PLAN ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS CONTROLLING IN THE EVENT OF ANY INCONSISTENCY.**

**NO REPRESENTATIONS OR ASSURANCES CONCERNING THE DEBTOR, INCLUDING, WITHOUT LIMITATION, ITS OPERATIONS, THE VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF THE REORGANIZED DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THIS IS A SOLICITATION BY THE DEBTOR AND IT IS NOT A**

1 SOLICITATION BY THE DEBTOR'S ATTORNEYS OR ANY OTHER  
2 PROFESSIONALS EMPLOYED BY THE DEBTOR. THE  
3 REPRESENTATIONS MADE HEREIN ARE THOSE OF THE DEBTOR  
4 AND NOT OF THE DEBTOR'S ATTORNEYS OR ANY OTHER  
5 PROFESSIONAL.

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

19 THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT  
20 BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO  
21 CREDITORS. CREDITORS SHOULD CONSULT THEIR OWN LEGAL  
22 COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS  
23 ABOUT TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON  
24 CREDITORS.

25 **I. SUMMARY OF THE PROPOSED PLAN OF REORGANIZATION.**

26 A summary of the classification and treatment of creditors' under the Plan is below.

**A. Summary of Proposed Treatment of Unclassified Claims.** The Plan treats Administrative Claims and Priority Tax Claims as follows:

1. **Administrative Claims**. These claims are principally the claims of professionals, including the Debtor's counsel (Sussman Shank LLP) and accountants (Genske Mulder & Company LLP). Administrative expenses also include costs incurred by the Debtor in the normal operation of its business. All holders of Administrative Claims, other than Administrative Claims representing indebtedness or other obligations

1 incurred in the ordinary course of business, which shall be paid in the ordinary course of  
 2 business and in accordance with any terms and conditions of any agreement or order  
 3 relating thereto, shall, to the extent allowed, be paid in full in Cash on the later of (i) the  
 4 Effective Date, (ii) the date on which the Court enters an order allowing such  
 5 Administrative Claim or as soon as practical thereafter, or (iii) the date on which the  
 6 Reorganized Debtor and the holder of such an Allowed Administrative Claim otherwise  
 7 agree. Administrative Claims representing indebtedness or other obligations incurred in  
 8 the ordinary course of business shall be paid in the ordinary course of business and in  
 9 accordance with any terms and conditions of any agreement or order relating thereto.  
 10 Holders of Administrative Claims are not impaired by the Plan and are conclusively  
 11 presumed to accept the Plan.

12 **2. Priority Tax Claims.** A Priority Tax Claim is a Claim of a governmental  
 13 unit of the kind entitled to priority under section 507(a)(8). Priority Tax Claims will be  
 14 paid in full on the latter of the Effective Date or the date on which any such Priority Tax  
 15 Claims become Allowed. Holders of Priority Tax Claims are not impaired by the Plan  
 16 and are conclusively presumed to accept the Plan. The Debtor estimates that total  
 17 Priority Tax Claims do not exceed \$800 in the aggregate.

18 **B. Summary of Proposed Treatment of Classified Claims.** The Plan  
 19 classifies and treats Claims other than Administrative Claims and Priority Tax Claims as  
 20 follows:

21 **Class 1. Northwest Farm Credit Services, PCA (“NWFCS”) Secured**  
 22 **Claim.**

23 Plan Treatment: Class 1 consists of the NWFCS Secured Claim. As of the Petition  
 24 Date, the amount owed to NWFCS was approximately \$6.52 million, consisting of the  
 25 following loan obligations:

26 Loan 141 (secured by feed inventories and accounts receivable): \$2,120,534

1	Loan 142 (secured by dairy herd):	\$3,307,477
2	Loan 246 (secured by real estate):	\$ 974,708
3	Loan 242 (secured by equipment):	\$ 121,453
4		<u>Total: \$6,524,172</u>

5 NWFCS asserts that NWFCS's claim against the Debtor as set forth above is secured  
6 by one or more valid, enforceable, and properly perfected first priority security interests  
7 in all of the Debtor's assets, including inventory, chattel paper, accounts, equipment and  
8 general intangibles, and in all cash and noncash proceeds of such property. NWFCS  
9 also asserts liens against the Salem Farm and McMinnville Farm, both of which are  
10 owned by Pete DeHaan, individually. The Debtor estimates the value of the total  
11 collateral securing its obligations to NWFCS, as of the Petition Date, was approximately  
12 \$16 million.

13 The Secured Claim of NWFCS will be satisfied by a combination of the following:  
14 (i) the sale of the Salem Farm and the purchase of the Gaston Farm (currently leased)  
15 as part of a 1031 Tax Exchange (the "1031 Exchange"); (ii) the sale of certain personal  
16 property assets owned by the Debtor (cattle, equipment and feed) which sales are  
17 expected to generate up to \$4.5 million in gross sale proceeds; (iii) the partial payment  
18 of existing debt owed to NWFCS from anticipated sales of the Salem Farm and other  
19 assets; and (iv) a restructuring of remaining indebtedness owed to NWFCS of up to  
20 \$3.5-4.0 million which remaining debt will be secured by first position liens on the  
21 Gaston Farm, the McMinnville Farm and other assets of the Debtor and permit  
22 completion of the 1031 Exchange. The following is a more detailed description of these  
23 transactions:

24 1. Debtor and Peter DeHaan Jr. ("Pete DeHaan") will list the Salem Farm  
25 and certain adjacent real property (consisting of 5 acres with home and  
26 improvements) (collectively, the "Salem Property") for sale with a licensed



1 real estate broker. Debtor estimates that the Salem Property has an  
2 aggregate fair market value of \$4.6 million.

3 2. Debtor will sell up to an additional 1400 milk cows and 1100 heifers, which  
4 sales are expected to generate \$3.1 million (1400 cows at \$1550 per head  
5 and 1100 heifers at \$850 per head).

6 3. Debtor will sell surplus equipment and feed having an aggregate value of  
7 up to \$1.5 million. These sales of cattle, equipment and feed will be  
8 possible due to the downsizing of Debtor's dairy operations that will occur  
9 upon the sale of the Salem Property.

10 4. To minimize the tax consequences associated with the sale of the Salem  
11 Property, Pete DeHaan and Debtor will participate in a 1031 Exchange  
12 pursuant to which Pete DeHaan will purchase the Gaston Farm (currently  
13 leased) and additional farm land having an estimated aggregate  
14 acquisition price of \$3.5 million. The 1031 Exchange will allow Debtor  
15 and Pete DeHaan to minimize the tax consequences associated with the  
16 sale of assets by deferring approximately 80.1% of the anticipated gain on  
17 the sale of the Salem Property described above.

18 5. The sale of the Salem Property, cattle and other personal property assets  
19 described above will generate up to \$8.9 million in net sales proceeds.  
20 These proceeds will be available to pay the IRS Estate Tax Lien against  
21 the Salem Farm (\$128,000), the income taxes estimated to be generated  
22 from the sale of the assets described above (\$1.09 million) and reduce the  
23 obligations owed to NWFCS by approximately \$3.0 million.

24 6. In order to complete the acquisition of the Gaston Property and additional  
25 new farm land and complete the 1031 Exchange, the remaining  
26 obligations owed to NWFCS will be restructured (the "Restructured Debt").

1 The Restructured Debt will be approximately \$3.5-4.0 million and secured  
2 by first priority liens upon the McMinnville Farm (estimated value \$1.9  
3 million), the Gaston Farm and the additional acreage acquired by the  
4 Debtor (estimated value \$3.5 million). In addition, the Restructured Debt  
5 will be secured by a first lien on Debtor's remaining equipment (estimated  
6 value \$1.5 million). The terms of the Restructured Debt will include a 25-  
7 year amortization, and a 15-year balloon payment. The Restructured Debt  
8 will provide for interest at 4% per annum, no prepayment penalties, and  
9 estimated monthly payments of \$18,474 to NWFCS.

- 10 7. Pending the sale of the Salem Property and assets described above and  
11 the completion of the 1031 Exchange, Debtor will continue to make  
12 interest-only payments to NWFCS on a monthly basis for Loan 141  
13 (secured by feed inventories and accounts receivable), Loan 142 (secured  
14 by dairy herd), and Loan 246 (secured by real estate). In addition, Debtor  
15 will continue to pay the monthly payments of principal and interest on  
16 Loan 242 (secured by equipment).

17 Estimated percentage recovery: 100%. The Holder of the Class 1 Claim is impaired by  
18 the Plan and is entitled to vote to accept or reject the Plan.

19 **Class 2. Agricultural Services Lien Claims ("ASL Claims").** Plan  
20 Treatment: Class 2 consists of Creditors holding ASL Claims or other statutory liens  
21 that have been properly perfected under applicable state law. Class 2 Creditors will  
22 receive payment in full of their Allowed Secured Claims upon the earlier of (i) entry of a  
23 Court Order authorizing payment of such Allowed Claim or (ii) within 30 days following  
24 the Effective Date of the Plan. Creditors asserting ASL Claims that are not property  
25 perfected under applicable State Law will receive treatment as holders of Class 6  
26 General Unsecured Claims. Estimated percentage recovery: 100%. The Holders of

1 the Class 2 Claims are unimpaired by the Plan and not entitled to vote to accept or  
2 reject the Plan.

3 **Class 3. John Deere Secured Claims.**

4 Plan Treatment: Class 3 claims consist of the Secured Claims of John Deere Credit,  
5 Inc. and its affiliates (collectively, "John Deere"), each deemed to be a separate  
6 subclass as shown below:

7 Class	Name and Account No. (Last 4 Digits)	Approx. Balance	Collateral
8 3A	Deere Credit Inc. (3-001)	\$49,815.00	John Deere 8530 Tractor S.N. R0AH8SF019662
9 3B	John Deere Construction & Forestry (8041)	\$9,475.50	07 John Deere 544J Loader, S.N. DW544JH620579
10 3C	Deere & Company (1781)	\$96,002.82	08 John Deere 7930 Tractor & Grounder Blade S.N. 1RW7930DVAD028796

11 Debtor is current in its obligations owed to John Deere. Debtor will continue to make its  
12 regular monthly payments owed to John Deere and John Deere will retain its liens  
13 against the collateral described above. Estimated percentage recovery: 100%. The  
14 Holders of Class 3A, 3B, and 3C Claims are unimpaired by the Plan and are not entitled  
15 to vote to accept or reject the Plan.

16 **Class 4. Naeda Financial, LLC Secured Claim. .**

17 Plan Treatment: Class 4 consists of the Secured Claim of Naeda Financial, LLC  
18 ("Naeda") (Last four digits of Debtor's account number 2-001), secured by a Great  
19 Plains 8 Row Corn Planter S.N. 6P-B1013R\*6PS Unit). Debtor is current in its  
20 obligations owed to Naeda. Debtor will continue to pay Naeda its regular monthly  
21 payments in accordance with the terms of its contract with Naeda and Naeda will retain  
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1 its liens on the collateral securing its claim. Estimated Percentage Recovery: 100%.  
2 Class 4 is unimpaired.

3 **Class 5. Convenience Unsecured Claims.**

4 Plan Treatment: Class 5 consists of Allowed Unsecured Claims of \$3500 or less. Each  
5 holder of an Allowed Class 5 Convenience Unsecured Claim shall receive a single  
6 payment equal to 100% of the amount of such Allowed Claim in Cash in full and final  
7 satisfaction of such Allowed Claim. Payments to Class 5 Claimants will be made within  
8 sixty (60) days following the Effective Date. No interest shall be paid on account of any  
9 Allowed Class 5 Claim. Holders of Class 5 Claims are impaired by the Plan and are  
10 entitled to vote to accept or reject the Plan.

11 **Class 6. General Unsecured Claims.**

12 Plan Treatment: Class 6 General Unsecured Claims consist of claims greater than  
13 \$3500. Each holder of an Allowed Class 6 Claim shall receive a Promissory Note in the  
14 full amount of its Allowed Claim, payable with interest at the rate of 4% per annum.  
15 Payments to Class 6 Claimants will be made in three equal annual installments of  
16 principal and interest over a 36 month period. The first annual installment to holders of  
17 Class 6 Allowed Claims will be due sixty days (60) after the Effective Date. Annual  
18 payments thereafter for the second and third installments will be due on the anniversary  
19 date of the first installment payment for the 2014 and 2015 calendar years. Estimated  
20 percentage recovery: 100%. Holders of Class 6 Claims are impaired by the Plan and  
21 are entitled to vote to accept or reject the Plan.

22 **Class 7. Pete DeHaan LLC Membership Interests.**

23 Plan Treatment: Pete DeHaan, the equity security holder of the Debtor shall retain his  
24 100% membership interest in the Debtor and Reorganized Debtor in consideration for  
25 (1) the waiver of his claim in the amount of \$1,254.95, (2) the sale of the Salem  
26 Property and (3) the continued contribution of his real property assets to be leased to

1 and used by Debtor in its post-confirmation dairy operations as set forth below. The  
2 Holder of the Class 7 LLC Interests is unimpaired by the Plan and is deemed to accept  
3 the Plan.

4 **C. Recommendation Of the Debtor**

5 **THE DEBTOR RECOMMENDS THAT ALL CREDITORS WHO ARE ENTITLED**  
6 **TO VOTE, VOTE TO ACCEPT THE PLAN. THE DEBTOR BELIEVES THE PLAN**  
7 **PROVIDES THE BEST ALTERNATIVE TO RESOLVE AND PAY CLAIMS AS SOON**  
8 **AS POSSIBLE, AND IS IN THE BEST INTEREST OF ALL CREDITORS AND OTHER**  
9 **INTERESTED PARTIES.**

10 **II. DESCRIPTION OF THE DEBTOR AND EVENTS LEADING TO CHAPTER 11**  
11 **FILING.**

12 The Debtor is a recognized leader in the dairy industry and well-known for  
13 producing high quality milk products. Pete DeHaan, the Debtor's 100% owner and  
14 Managing Member, has successfully managed and operated dairy facilities in Oregon  
15 for over 15 years. The Debtor's principal source of income is from the production and  
16 sale of milk, which is shipped to Northwest Dairy Association, a cooperative that  
17 transports, processes and sells the resulting milk products. In 2011 the Debtor  
18 produced 56,137,722 pounds of whole milk which generated gross income of \$11.19  
19 Million.

20 As of the Petition Date, the Debtor employed approximately 36 employees and  
21 its dairy herd consisted of 2,194 cows and 2,382 heifers for a total of 4,576 animals.  
22 The Debtor's dairy operations are conducted at three separate farms located in Yamhill  
23 County and Washington County Oregon. The Debtor's primary farm consists of milking  
24 facilities and a 230 acre farm located at 22180 Lafayette Highway Salem, Oregon (the  
25 "Salem Farm"). The Salem Farm is owned by Pete DeHaan and leased to the Debtor.  
26 A second farm is leased from Alan and Alice Beardsley which includes dairy facilities

1 and 280 acres of farmland located in Gaston, Oregon (the “Gaston Farm”). A third farm  
2 consisting of 245 acres is located in McMinnville, Oregon (the “McMinnville Farm”). The  
3 McMinnville Farm is also owned by Pete DeHaan and is leased to the Debtor. The  
4 McMinnville Farm is used primarily for raising replacement heifers and growing crops  
5 used to feed the Debtor’s dairy cattle. A copy of the Debtor’s Financial Statements And  
6 Independent Accountant’s Review Report dated June 30, 2012 is attached as Exhibit  
7 A.<sup>1</sup>

8 Current market conditions are extremely challenging for dairies. Global dairy  
9 prices are off twenty to thirty percent from their spring 2011 peaks as increased milk  
10 production worldwide has turned previous supply deficits into surplus. As a result, rising  
11 inventories have kept downward pressure on dairy prices and current demand has  
12 proved to be insufficient to accommodate the increased surplus. Increased costs for  
13 fuel, hay and grain commodities, and fertilizers have made the current operating  
14 conditions extremely difficult for the owners and operators of dairies, including the  
15 Debtor. To make matters worse, severe drought conditions in 2012 resulted in even  
16 higher prices for the feed and corn which are used to feed dairy cattle. In addition, the  
17 Farm Bill, which provides a measure of government price supports for dairy products,  
18 has expired and has not been renewed. The failure of Congress to pass a new Farm  
19 Bill has created even more uncertainty in the already troubled dairy industry.

20 The Debtor’s secured lender is NWFCS. As of the Petition Date, the amount  
21 owed to NWFCS was approximately \$6.52 million., consisting of the loan obligations  
22 described above. The Debtor estimates the value of the total collateral securing its  
23 obligations to NWFCS, as of the Petition Date, was in excess of \$16 million.

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<sup>1</sup> Note that Exhibit A shows assets on a consolidated basis and includes real property assets including the Salem Farm and McMinnville Farm, both of which are owned by Pete DeHaan individually.

1 The Debtor was current in its obligations to its trade creditors as of the Petition  
2 Date. However, NWFCS refused to extend current financing and notified Debtor that it  
3 would no longer allow the Debtor to use the proceeds from the sale of its milk products  
4 to pay obligations incurred in the ordinary course of business, making it impossible for  
5 the Debtor to continue operating. Ultimately, to be able to continue operating, to  
6 preserve cash, and to utilize all the resources available to it under the Bankruptcy Code,  
7 the Debtor commenced this Chapter 11 bankruptcy case on June 29, 2012.

8 **III. SIGNIFICANT EVENTS SINCE THE PETITION DATE.**

9 Since the Petition Date, the Debtor has taken various actions to streamline its  
10 operations, reduce its overhead, and to pay down certain debt obligations. As noted  
11 above, the Debtor's dairy herd as of the Petition Date consisted of approximately 4,576  
12 animals. The Debtor sought, and received, authority to sell a number of milk cows and  
13 heifers to third party purchasers through cattle brokers or regularly scheduled livestock  
14 auctions. Since the Petition Date, the Debtor sold approximately 385 milk cows and  
15 889 heifers, realizing net sales proceeds of approximately \$1.23 million (the "Net Cattle  
16 Sales Proceeds"). This reduction in the total number of cattle has allowed the Debtor to  
17 reduce its operational expenses and discontinue the use of feed lots located in Quincy,  
18 Washington. Pursuant to court order, the Debtor deposited the Net Cattle Sales  
19 Proceeds in a segregated bank account.

20 In the ordinary course of business, the Debtor purchases various agricultural  
21 products and services from various providers. These providers of services and  
22 products have the ability if not paid, to file agricultural services liens on, among other  
23 things, the Debtor's livestock and the proceeds thereof. The Debtor was aware that  
24 numerous such parties would assert ASL Claims against the Debtor in this case,  
25 including against the Net Cattle Sales Proceeds. To establish an orderly process for  
26 asserting ASL Claims, the Court entered an order establishing procedures and

1 deadlines for submitting, reviewing, evaluating, and paying ASL Claims. Twenty-Five  
2 creditors filed ASL Claims, and a twenty-sixth asserted a lien which the Debtor does not  
3 dispute. The holders of the ASL claims, which total \$1,204,249.54 in the aggregate,  
4 claimed a first priority lien on the Net Cattle Sales Proceeds, and requested that the Net  
5 Cattle Sales Proceeds be distributed in satisfaction of those Claims. On January 18,  
6 2013, the Court entered an order (Doc #194) authorizing the payment of ASL Claims  
7 from the Net Cattle Sales Proceeds.

8 The Debtor has been able to meet all of its ongoing expenses associated with its  
9 dairy operations since the filing of Debtor's petition. Copies of monthly cash flow  
10 reports for the post-petition period are attached hereto as Exhibit B. The Court has  
11 authorized the Debtor to use cash collateral through May 31, 2013. No committee of  
12 creditors was appointed in the case.

#### 13 **IV. IMPLEMENTATION OF PLAN, FEASIBILITY AND RISKS.**

14 The Debtor will implement the Plan primarily by selling cattle as outlined above  
15 and satisfying in full the 26 valid and perfected ASL Claims that have been filed. In  
16 addition, the Debtor will further implement the Plan by listing the Salem Farm and  
17 facilities for sale. The Debtor believes that the Salem Property could be sold for an  
18 aggregate price of \$4.6 million. As part of the restructuring, the Debtor will reduce its  
19 current dairy operations even further by selling up to an additional 1,400 milk cows and  
20 1,100 heifers which are estimated to generate an additional \$3.1 million in proceeds.  
21 Following the sale of assets the Debtor will continue to conduct its dairy operations on  
22 the Gaston Farm and McMinnville Farm with a reduced cattle herd of approximately  
23 1600 animals.

24 The implementation of the Plan will be dependant upon completing the  
25 anticipated sales of assets in the most tax advantageous methods possible.  
26 Specifically, the sale of the Salem Farm must be accomplished as part of a 1031 Tax



1 Exchange that will minimize the tax consequences associated with the sales of assets.  
2 For example, Debtor estimates a projected sale of the Salem Property at \$4.6 million  
3 would result in an estimated gain on the sale of the real estate of \$2.22 million. Under a  
4 1031 exchange, however, Debtor believes it is possible to defer 80.1% (\$1.78 million) of  
5 that gain.

6 In order to satisfy the acquisition requirement necessary to completing the 1031  
7 Exchange, the Debtor will purchase the Gaston Farm and additional farm land of up to  
8 150 acres for a total purchase price of up to \$3.5 million. Following the sale of the real  
9 and personal property assets described above the Debtor will continue to operate its  
10 dairy facilities at the Gaston Farm and McMinnville Farm. The Debtor estimates that  
11 following the sale of the Salem Farm and the additional sales of cattle contemplated, the  
12 Debtor's reduced operations would include approximately 800 milk cows and 800  
13 replacement heifers.

14 After the Effective Date of the Plan, the Reorganized Debtor will make payments  
15 to creditors as provided by the Plan. The Debtor's financial projections that support the  
16 proposed distributions under the Plan are attached hereto as Exhibit C.

17 The principal business risks to the Reorganized Debtor's ability to perform under  
18 the Plan are that the projections for future sales and revenue may not materialize and/or  
19 the Reorganized Debtor's projected future expenses may prove to be greater than  
20 projected. The dairy industry is in crisis and prices for milk, milk products, and feed and  
21 other assets are subject to market fluctuation. An additional risk is that it will take time  
22 for the Debtor to find a buyer for the Salem Farm, and there is not guaranty as to the  
23 timing of any sale or price. The Plan is also dependant in large part in minimizing tax  
24 consequences by completing the 1031 Exchange by the Debtor purchasing and  
25 acquiring the Gaston Farm, which will require a restructuring of the existing  
26 indebtedness owed to NWFCS.

1 **V. MANAGEMENT OF THE REORGANIZED DEBTOR.**

2 The Reorganized Debtor will continue with its current management in place.  
3 Pete DeHaan, the sole member and manager of the Debtor, will continue in that position  
4 following confirmation of the Plan. The current nature of Pete DeHaan's compensation  
5 is approximately \$66,000 per annum plus health insurance and other benefits.

6 **VI. DEFAULT.**

7 The Reorganized Debtor will be in default under the Plan if it fails to perform its  
8 obligations under the Plan or any other document that may govern the relationship  
9 between the Reorganized Debtor and the affected creditor or party in interest, or if the  
10 Reorganized Debtor fails to cure any default within the applicable cure period governing  
11 such obligation. In such event, the creditor or party in interest affected by such default  
12 may pursue such remedies as are available under applicable law.

13 **VII. ALTERNATIVES TO PROPOSED PLAN OF REORGANIZATION.**

14 Alternatives to confirmation of the Plan include dismissal of this case, conversion  
15 to a chapter 7 liquidation case, or adoption of an alternative plan.

16 **A. Dismissal.** If the case were dismissed, NWFCS could commence a  
17 foreclosure action against the Debtor, likely leading to a liquidation of the Debtor's  
18 assets by NWFCS following the sale. The Debtor does not believe anyone would bid an  
19 amount in excess of the amount due to NWFCS at a foreclosure sale. As discussed  
20 below, the Debtor does not believe liquidation would realize proceeds sufficient to result  
21 in any payment to unsecured creditors, absent a liquidation of the real property assets  
22 owned by Pete DeHaan. A dismissal would also likely lead to Pete DeHaan personally  
23 filing Chapter 11 in order to prevent NWFCS from foreclosing.

24 **B. Chapter 7 Liquidation.** Because the Debtor is a farming operation  
25 conversion to a liquidation case under Chapter 7 of the Code is not authorized by the  
26 Code. Even if a liquidation by a chapter 7 trustee were possible, it is unclear whether

1 such liquidation would result in full payment to unsecured creditors, particularly given  
2 that the real property assets are not held in the name of the Debtor. A copy of the  
3 Debtor's Liquidation Analysis is attached hereto as Exhibit D.

4 **C. Adoption of a Different Plan.** The Debtor does not believe another plan  
5 will be more favorable to creditors and interest holders than the Plan attached to this  
6 Disclosure Statement. The Plan is the result of collaborative efforts by the Debtor, ASL  
7 Claimants, and other constituencies. Furthermore, Pete DeHaan is integral to the  
8 operation of this debtor. He enjoys strong relationships with his trade creditors,  
9 employees and customers. Mr. DeHaan's knowledge of the business has been built  
10 over nearly 20 years and cannot be replicated by new management. If the Plan is not  
11 confirmed, Debtor will likely file an Amended Plan retaining the majority of its assets,  
12 restructuring the obligations owed to NWFCS over an extended period and requesting  
13 cram down of the Amended Plan.

14 **VIII. AVOIDANCE ACTIONS.**

15 Avoidance Actions (if any) shall be retained by the Debtor. Debtor is evaluating  
16 all claims but at this time is not aware of any Avoidance Actions that will be pursued.

17 **IX. SETOFFS.**

18 The Debtor may, but shall not be required to, withhold from any distribution to be  
19 made pursuant to the Plan in respect of an Unresolved Claim the amount of any claims  
20 of any nature whatsoever which the Debtor may have against the holder of such Claim,  
21 including Avoidance Claims. Neither the failure to do so nor the allowance of any Claim  
22 hereunder shall constitute a waiver or release of any such claim the Debtor may have  
23 against such holder. The Debtor shall reserve such withheld funds in a separate bank  
24 account pending final resolution of such Unresolved Claims.

1 **X. EFFECT OF CONFIRMATION.**

2 **A. Discharge.** The Plan provides for the reorganization of the Debtor and for  
3 it to continue to engage in business after the Effective Date. The Plan does not provide  
4 for the liquidation of all or substantially all of the property of the Debtor's bankruptcy  
5 estate. Accordingly, the Debtor will obtain a discharge under Section 1141(d)(3).

6 **B. Effect of Discharge.** Except as otherwise expressly provided in the Plan  
7 or in the Confirmation Order, on the Effective Date the Debtor will be discharged from  
8 any and all Claims and debts and its liability shall be extinguished completely in respect  
9 of any Claim and debt, whether or not reduced to judgment, liquidated or unliquidated,  
10 contingent or noncontingent, asserted or unasserted, fixed or not, matured or  
11 unmatured, disputed or undisputed, legal or equitable, known or unknown, that arose  
12 from any agreement of the Debtor entered into or obligation of the Debtor incurred  
13 before the Confirmation Date, or from any conduct of the Debtor prior to the  
14 Confirmation Date, or that otherwise arose before the Confirmation Date, including,  
15 without limitation, all interest, if any, on any such Claims and debts, whether such  
16 interest accrued before or after the date of commencement of the Case.

17 **C. Vesting.** Except as otherwise expressly provided in the Plan or in the  
18 Confirmation Order with respect to NWFCS or other secured creditor, on the Effective  
19 Date the Reorganized Debtor shall be vested with all of the property of the Estate free  
20 and clear of all Claims, Liens, encumbrances, charges and other interests of creditors,  
21 and will thereafter hold, use, dispose or otherwise deal with such property and operate  
22 its business free of any restrictions imposed by the Bankruptcy Code or by the Court.

23 **XI. MODIFICATION OR WITHDRAWAL OF THE PLAN.**

24 Subject to section 1127 of the Bankruptcy Code and applicable Bankruptcy  
25 Rules, the Debtor reserves the right to alter, amend, or modify the Plan before its  
26

1 substantial consummation so long as the treatment of holders of Claims under the Plan  
2 are not materially adversely affected.

3 **XII. RETENTION OF JURISDICTION.**

4 Notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall  
5 retain jurisdiction of this Bankruptcy Case, including but not limited to the following  
6 matters: (a) to classify the Claim or interest of any Creditor or member of the Debtor,  
7 reexamine Claims or Interests which have been owed for voting purposes and  
8 determine any objections that may be filed to Claims or Interests, (b) to determine  
9 requests for payment of Claims entitled to priority under Section 507(a)(l) of the  
10 Bankruptcy Code, including compensation and reimbursement of expenses in favor of  
11 professionals employed at the expense of the Estate, (c) to avoid transfers, (d) to  
12 resolve controversies and disputes regarding the interpretation of the Plan, (e) to  
13 implement the provisions of the Plan and enter orders in aid of confirmation, (f) to  
14 adjudicate adversary proceedings and contested matters pending or hereafter  
15 commenced in this Chapter 11 Case, and (g) to enter a final decree closing this Chapter  
16 11 Case.

17 If the Bankruptcy Court abstains from exercising, or declines to exercise,  
18 jurisdiction or is otherwise without jurisdiction over any matter referred to the Bankruptcy  
19 Court, such abstention, refusal or failure of exercise shall have no effect upon and shall  
20 not control, prohibit or limit the exercise of jurisdiction by any other court having  
21 competent jurisdiction with respect to such matter.

22 **XIII. TAX CONSEQUENCES.**

23 THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF  
24 THE PLAN ARE COMPLEX AND, IN MANY AREAS, UNCERTAIN. ACCORDINGLY,  
25 ALL HOLDERS OF CLAIMS ARE STRONGLY URGED TO CONSULT THEIR TAX  
26 ADVISORS WITH SPECIFIC REFERENCE TO THE FEDERAL, STATE, AND LOCAL

1 TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO SUCH HOLDER.  
2 NEITHER THE DEBTOR NOR ITS COUNSEL MAKE ANY REPRESENTATIONS  
3 REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND  
4 CONSUMMATION OF THE PLAN AS TO THE DEBTOR OR ANY CREDITOR.

5 Under the Internal Revenue Code of 1986, as amended, there may be significant  
6 federal income tax issues arising under the Plan described in this Disclosure Statement  
7 that affect creditors in the case. It is not practicable to present a detailed explanation of  
8 every possible federal and state income tax ramification of the Plan.

9 **XIV. ACCEPTANCE AND CONFIRMATION.**

10 **A. Voting Procedures**

11 1. **Generally.** Only those creditors whose Claims fall within one or more  
12 classes that are impaired under the Plan are eligible to vote to accept or reject the Plan.  
13 Accordingly, under the Plan, holders of Allowed Claims in Classes 1, 5 and 6 are  
14 entitled to vote on the Plan. In order for a class of Claims to vote to accept the Plan,  
15 votes representing at least two-thirds in amount and more than one-half in number in  
16 that class must be cast in favor of acceptance of the Plan. The Debtor reserves the  
17 right to amend and supplement this Disclosure Statement (if necessary) and to solicit  
18 any Classes which are impaired and entitled to vote.

19 Separate Ballots will be sent to the known holders of Claims, whether or not such  
20 Claims are Disputed. However, only the holders of Allowed Claims (or Claims that have  
21 been Temporarily Allowed or have been estimated for voting purposes by the  
22 Bankruptcy Court) in one or more impaired classes are entitled to vote on the Plan. A  
23 Claim to which an objection has been filed is not an Allowed Claim unless and until the  
24 Bankruptcy Court rules on the objection and enters an order allowing the Claim. The  
25 holder of a Disputed Claim is not entitled to vote on the Plan unless the holder of such  
26 Claim requests that the Bankruptcy Court, pursuant to Bankruptcy Rule 3018,

1 temporarily allow the Claim in an appropriate amount solely for the purpose of enabling  
2 the holder of such Disputed Claim to vote on the Plan, and the Bankruptcy Court does  
3 so.

4 **2. Submission Of Ballots.** The form of Ballot for each of the Classes  
5 entitled to vote on the Plan will be sent to all creditors along with a copy of the Court-  
6 approved Disclosure Statement and a copy of the Plan. Creditors should read the  
7 Disclosure Statement, Plan, and Ballot carefully.

8 Ballot(s) (or withdrawals/revocations) must be sent to Debtor's attorneys,  
9 Sussman Shank LLP, 1000 SW Broadway, Suite 1400, Portland, Oregon 97205-3089  
10 (attn: Jeffrey C. Misley, Esq.), so as to be actually received by no later than 5:00 p.m.  
11 \_\_\_\_\_, 2013 (the "Voting Deadline").

12 **3. Incomplete Ballots.** Any Ballot that is signed, dated, and received before  
13 the Voting Deadline, but on which a vote to accept or reject the Plan has not been  
14 indicated, will not be counted as a vote either to accept or to reject the Plan or as a vote  
15 cast with respect to the Plan.

16 **4. Withdrawal Of Ballots; Revocation.** Any Creditor that has delivered a  
17 Ballot accepting or rejecting the Plan may withdraw such acceptance or rejection by  
18 delivering a written notice of withdrawal to the Debtor's attorney at any time prior to the  
19 Voting Deadline.

20 A notice of withdrawal, to be valid, must: (i) contain the description of the Claim  
21 to which it relates and the amount of such Claim; (ii) be signed by the voting Creditor in  
22 the same manner as the Ballot; and (iii) be received by the Debtor's attorneys at the  
23 address or facsimile number set forth above by the Voting Deadline.

24 Unless otherwise directed by the Bankruptcy Court, a purported notice of  
25 withdrawal of a Ballot or change in vote which is not received in a timely manner will not  
26 be effective to withdraw or change a previously furnished Ballot.

1           **B. Feasibility.**

2           The Bankruptcy Code requires, as a condition to confirmation, that the  
3 Bankruptcy Court find that liquidation of the Reorganized Debtor or the need for future  
4 reorganization is not likely to follow after confirmation. 11 USC § 1129(a)(11). For the  
5 purpose of determining whether the Plan meets this requirement, the Debtor has  
6 prepared projections attached hereto as Exhibit D, showing that the Reorganized  
7 Debtor will have the resources and ability to pay those Claims that are due on  
8 confirmation of the Plan and all future obligations as they come due. The Debtor  
9 believes that the Plan satisfies the "feasibility" requirement of Section 1129(a)(11) of the  
10 Bankruptcy Code.

11           **C. Best Interests Of Creditors.**

12           The Plan also must provide that creditors receive at least as much under the  
13 Plan as they would receive in a Chapter 7 liquidation of the Debtor. 11 USC  
14 § 1129(a)(7). The Debtor has prepared a liquidation analysis for the Debtor, which is  
15 attached hereto as Exhibit D. Pursuant to that analysis, the Debtor projects that  
16 unsecured creditors would receive payment of 100% of their Allowed Claims plus  
17 interest if Debtor's assets were liquidated. In contrast, the Plan contemplates that  
18 holders of Allowed Class 6 Unsecured Claims will receive payment in full together with  
19 interest. Therefore, the Debtor believes that the Plan satisfies the "best interest of  
20 creditors" test of Section 1129(a)(7) of the Bankruptcy Code.

21           **D. Confirmation Over Dissenting Class**

22           In the event that any impaired class of Claims does not accept the Plan, the  
23 Bankruptcy Court may nevertheless confirm the Plan at the request of the Debtor if all  
24 other requirements under Section 1129(a) of the Bankruptcy Code are satisfied, and if,  
25 as to each impaired class which has not accepted the Plan, the Bankruptcy Court  
26 determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with



1 respect to such non-accepting class. 11 USC § 1129(b)(1). Each of these  
2 requirements is discussed below.

3 **1. No Unfair Discrimination.** The Plan “does not discriminate unfairly” if:  
4 (a) the legal rights of a dissenting class are treated in a manner that is consistent with  
5 the treatment of other classes whose legal rights are similar to those of the dissenting  
6 class and (b) no class receives payments in excess of that which it is legally entitled to  
7 receive for its claims. The Debtor believes that the Plan does not discriminate unfairly  
8 as to any impaired class of Claims.

9 **2. Fair and Equitable Test.** The Bankruptcy Code establishes different “fair  
10 and equitable” tests for secured claims and unsecured claims, as follows:

11 **(a) Secured Creditors.** To satisfy the "fair and equitable" requirement as to  
12 a class of Secured Claims, the Plan must, at a minimum, provide that (i) each impaired  
13 secured creditor retains its liens securing a Secured Claim and receives on account of  
14 its Secured Claim deferred cash payments having a present value equal to the amount  
15 of its Allowed Secured Claim, (ii) each impaired secured creditor realizes the  
16 “indubitable equivalent” of its Allowed Secured Claim, or (iii) the property securing the  
17 Claim is sold free and clear of liens with such liens to attach to the proceeds, and the  
18 liens against such proceeds are treated in accordance with (i) or (ii) above. 11 USC  
19 § 1129(b)(2)(A).

20 **(b) Unsecured Creditors.** To satisfy the "fair and equitable" requirement as  
21 to a class of unsecured Claims, the Plan must, at a minimum, provide that (i) each  
22 impaired unsecured creditor receives or retains under the Plan property of a value equal  
23 to the amount of its Allowed Claim, or (ii) the holders of Claims that are junior to the  
24 Claims of the non-accepting class do not receive any property under the Plan on  
25 account of such Claims. 11 USC § 1129(b)(2)(B).

26

1 The Debtor believes that the Plan is fair and equitable with respect to holders of  
2 both Secured Claims and Unsecured Claims.

3 **E. Confirmation Hearing and Plan Objection Deadline.**

4 The Bankruptcy Court will hold a hearing to consider confirmation of the Plan  
5 commencing on \_\_\_\_\_, 2013 at \_\_\_:\_\_\_ .m. prevailing Pacific Time, in the Bankruptcy  
6 Courtroom No. \_\_, 1001 SW 5th Ave. #700, Portland, Oregon 97204. All objections, if  
7 any, to the confirmation of the Plan must be in writing; must state with specificity the  
8 grounds for any such objections; and must be filed with the Bankruptcy Court and  
9 served upon counsel for the Debtor at Sussman Shank LLP, 1000 SW Broadway, Suite  
10 1400, Portland, Oregon 97205-3089 (attn: Jeffrey C. Misley, Esq.) or before \_\_\_\_\_,  
11 2013.

12 **XV. GENERAL PROVISIONS**

13 **A. Extension Of Payment Dates**

14 If any payment date falls due on any day which is not a Business Day, then such  
15 due date will be extended to the next Business Day.

16 **B. Notices**

17 Any notice required or permitted to be provided under the Plan will be in writing  
18 and served by regular first class mail, overnight delivery, or hand-delivery.

19 **C. Closing of the Case**

20 At any time after the Plan has been substantially consummated, the Reorganized  
21 Debtor may file an application for Final Order showing that the Plan has been  
22 substantially consummated. If the Reorganized Debtor elects to file an application for  
23 Final Order it shall give notice to only those creditors and parties that, after the Effective  
24 Date, have specifically requested, after which an order approving the Reorganized  
25 Debtor's final report and closing the Case may be entered. Notwithstanding the  
26

1 foregoing, the Debtor may seek to reopen the Case for any matter over which the Court  
2 retains jurisdiction under the Plan.

3 **D. Additional Assurances**

4 The Debtor, the Reorganized Debtor, and the Holders of Allowed Claims will  
5 execute such other further documents as are necessary to implement any of the  
6 provisions of the Plan.

7 **E. Confirmation By Nonacceptance Method**

8 The Debtor has requested, as part of the Plan, confirmation of the Plan pursuant  
9 to Section 1129(b) of the Bankruptcy Code with respect to any impaired Class of Claims  
10 which does not vote to accept the Plan.

11 **F. Severability And Reformation**

12 The Debtor's intention is to comply fully with the Bankruptcy Code and applicable  
13 nonbankruptcy law in proposing the Plan. Therefore, if any provision of the Plan is  
14 determined by the Court to be contrary to the Bankruptcy Code or applicable  
15 nonbankruptcy law, that provision will be deemed severed and automatically deleted  
16 from the Plan, if it cannot be reformed or the provision or its interpretation will be  
17 deemed reformed to ensure compliance; provided, however, that nothing contained in  
18 this Section will prevent the Debtor from modifying the Plan in any manner whatsoever  
19 in accordance with and as set forth in the Plan. Pursuant to any ruling by the Court  
20 regarding the subject matter of this Section, any such severance or reformation will be  
21 stated specifically in the Confirmation Order, which then will control notwithstanding any  
22 contrary or inconsistent provisions of the Plan.

23 **G. Prohibition Against Prepayment Penalties**

24 If the Debtor or the Reorganized Debtor chooses, in its sole and absolute  
25 discretion, to prepay any obligation on which deferred payments are provided for under  
26

1 the Plan, the Debtor or the Reorganized Debtor will not be liable or subject to the  
2 assessment of any prepayment penalty thereon unless otherwise ordered by the Court.

3 **H. Payment Of Statutory Fees And Filing of Quarterly Reports**

4 All fees payable pursuant to 28 U.S.C. § 1980, as determined by the Court at or  
5 in conjunction with the Confirmation Hearing, will be paid on or before the Effective Date  
6 and, thereafter, in accordance with applicable bankruptcy law. All quarterly reports of  
7 disbursements required to be filed by applicable bankruptcy law will be filed in  
8 accordance with applicable bankruptcy law.

9 **I. Reservation of Rights**

10 Except as expressly provided in the Plan and this Disclosure Statement, the Plan  
11 will have no force or effect unless the Confirmation Order is entered by the Court and  
12 the Effective Date has occurred. None of the filing of the Plan, any statement or  
13 provision contained in the Plan or in this Disclosure Statement, or the taking of any  
14 action by the Debtor with respect to the Plan will be or will be deemed to be an  
15 admission or waiver of any rights of the Debtor with respect to the holders of Claims  
16 prior to the Effective Date.

17 **J. Exemption**

18 Pursuant to Section 1146(c) of the Bankruptcy Code, any transfers of property  
19 pursuant hereto will not be subject to any document, recording tax, stamp tax,  
20 conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer  
21 tax, mortgage recording tax or other similar tax or governmental assessment in the  
22 United States, and the confirmation Order will direct the appropriate state or local  
23 governmental officials or agents to forgo the collection of any such tax or governmental  
24 assessment and to accept for filing and recordation any of the foregoing instruments or  
25  
26

1 other documents without the payment of any such tax or governmental assessment.

2 Dated this 30<sup>th</sup> day of January, 2013.

3 PETER DEHAAN HOLSTEINS, LLC,

4

5 By: /s/ Peter DeHaan, Jr.

6 Peter DeHaan, Jr.

7 Its: Member and Manager

8 Approved as to form:

9 SUSSMAN SHANK LLP

10

11 By: /s/ Jeffrey C. Miskey

12 Jeffrey C. Miskey, OSB No. 850674

13 Timothy A. Solomon, OSB No. 072573

14 Attorneys for Debtor

15

16

17 21798-002\DISCLOSURE STATEMENT (01422596);2

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**PETER DE HAAN HOLSTEINS, LLC  
DEBTOR-IN-POSSESSION**

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

**JUNE 30, 2012**



TABLE OF CONTENTS

	Page
FINANCIAL HIGHLIGHTS	
INDEPENDENT ACCOUNTANTS' REVIEW REPORT.....	1
FINANCIAL STATEMENTS	
Balance Sheet, Exhibit A .....	2
Statement of Members' Capital, Exhibit B .....	4
Statement of Operations, Exhibit C.....	5
Statement of Cash Flows, Exhibit D .....	6
Notes to the Financial Statements .....	7

**FINANCIAL HIGHLIGHTS**

See accompanying independent accountants' review report.

	Year ended <u>2008</u>	Year ended <u>2009</u>	Year ended <u>2010</u>	Year ended <u>2011</u>	Six months ended <u>June 30, 2012</u>
<b><u>Milk production statistics</u></b>					
Pounds of whole milk produced	54,049,277	54,979,803	55,640,939	56,137,722	29,044,507
Average butterfat test	3.76%	3.64%	3.58%	3.65%	3.63%
Average protein test	3.02%	2.99%	2.96%	3.01%	2.99%
Average daily pounds per milking cow	82	82	81	81	82
<b><u>Dairy herd statistics</u></b>					
Average herd size:					
Milking cows	1,799	1,837	1,882	1893	1,945
Dry cows	344	369	358	373	308
Purchase of cows:					
Number of head	-	-	-	-	-
Total amount paid	\$ -	\$ -	\$ -	\$ -	\$ -
Average per head	\$ -	\$ -	\$ -	\$ -	\$ -
Self-raised heifers transferred to milking herd					
	1,075	1,007	1,025	983	502
Milking cows sold					
	-	-	120	208	-
Sale of cows:					
Number of head	890	783	764	646	493
Total amount received	\$ 518,292	\$ 285,147	\$ 397,094	\$ 463,459	\$ 364,744
Average per head	\$ 582	\$ 364	\$ 520	\$ 717	\$ 740
Number of dead cows					
	133	100	112	183	61
Herd turnover rate					
	48%	40%	39%	37%	49%
<b><u>Product price</u></b>					
Average price received per cwt. of milk shipped	\$ 18.17	\$ 12.45	\$ 15.80	19.93	\$ 16.61
<b><u>Summarized dairy operations per cwt. of milk shipped</u></b>					
Total income	\$ 19.54	\$ 13.60	\$ 16.46	20.75	\$ 16.95
Operating expenses:					
Feed	\$ 9.60	\$ 8.78	\$ 8.23	\$ 8.84	\$ 9.04
Herd replacement	\$ 1.98	\$ 1.94	\$ 1.84	\$ 1.53	\$ 1.56
Other operating expenses	\$ 7.82	\$ 7.91	\$ 7.79	\$ 7.72	\$ 7.58
Total operating expenses	\$ 19.40	\$ 18.63	\$ 17.86	\$ 18.09	\$ 18.18
Income (loss) from operations	\$ 0.14	\$ (5.03)	\$ (1.40)	\$ 2.66	\$ (1.23)



**GENSKE, MULDER & COMPANY, LLP**

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Peter De Haan Holsteins, LLC  
Debtor-in-Possession  
22180 Lafayette Hwy NW  
Salem, Oregon 97304

We have reviewed the accompanying balance sheet of Peter De Haan Holsteins, LLC Debtor-in-Possession (a single-member Limited Liability Company) as of June 30, 2012, and the related statements of operations, members' capital and cash flows for the six months then ended. A review includes primarily applying analytical procedures to the members' financial data and making inquiries of the members. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The members are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The information included in the accompanying financial highlights is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and an analytical procedure applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

July 31, 2012

*Genske, Mulder & Co., LLP*

GENSKE, MULDER & CO., LLP  
Certified Public Accountants

Case 12-35080-rld11 Doc 202 Filed 01/30/13  
**PETER DE HAAN HOLSTEINS, LLC**  
**DEBTOR-IN-POSSESSION**

EXHIBIT A

**BALANCE SHEET**  
**JUNE 30, 2012**

**ASSETS**

**CURRENT ASSETS:**

Cash:			
On hand		\$ 12,544	
West Coast Bank, Salem, checking		423,468	
Total cash		<u>436,012</u>	\$ 436,012
Accounts receivable:			
Northwest Dairy Association, pledged		\$ 723,165	
Silage and manure sales		6,592	
Total accounts receivable		<u>729,757</u>	729,757
Inventories, pledged:			
Hay, 152 tons		\$ 32,200	
Grain, 471 tons		164,818	
Silage, 30,140 tons		1,666,133	
Straw, 10 tons		500	
Supplies		51,176	
Total inventories		<u>1,914,827</u>	1,914,827
Investment in growing crops			232,000
Prepaid expenses			<u>112,914</u>
Total current assets			\$ 3,425,510

**DAIRY HERD, pledged:**

2,197 Cows		\$ 3,295,500	
2,387 Heifers		2,119,294	
Total		<u>\$ 5,414,794</u>	
Less accumulated depreciation		<u>526,499</u>	
Dairy herd, net			4,888,295

**LAND, DAIRY BUILDINGS AND IMPROVEMENTS, EQUIPMENT  
AND VEHICLES, partially pledged**

Land, 230 acres, Hopewell		\$ 1,149,000	
Land, 245 acres, McMinnville		570,000	
Dairy buildings and improvements		1,786,521	
Equipment		4,461,480	
Autos and trucks		401,652	
Total		<u>\$ 8,368,653</u>	
Less accumulated depreciation		<u>3,879,132</u>	
Land, dairy buildings and improvements, equipment and vehicles, net			4,489,521

**OTHER ASSETS:**

Investments, at cost		\$ 1,118,417	
Earnest deposit for Gaston		5,000	
Cash Value, life insurance, MassMutual Financial Group		153,004	
Loan fees, net of accumulated amortization		<u>10,908</u>	
Total other assets			<u>1,287,329</u>
Total assets			\$ <u><u>14,090,655</u></u>

BALANCE SHEET  
JUNE 30, 2012

LIABILITIES AND MEMBERS' CAPITAL

CURRENT LIABILITIES:

LIABILITIES NOT SUBJECT TO COMPROMISE:

Wages and payroll taxes payable	\$	22,749
Accrued interest		<u>19,639</u>
Total current liabilities	\$	42,388

LIABILITIES SUBJECT TO COMPROMISE 8,435,706

PETER DE HAAN HOLSTEINS, LLC, MEMBERS' CAPITAL:

Balance at June 30, 2012, per Exhibit B 5,612,561

Total liabilities and members' capital \$ 14,090,655

STATEMENT OF MEMBERS' CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2012

Balance at January 1, 2012	\$ 5,973,740
Contributions	95,000
Net loss, per Exhibit C	<u>(386,569)</u>
Total	\$ 5,682,171
Less distributions	<u>69,610</u>
Balance at June 30, 2012	\$ <u><u>5,612,561</u></u>

**PETER DE HAAN HOLSTEINS, LLC**  
**DEBTOR-IN-POSSESSION**

EXHIBIT C

**STATEMENT OF OPERATIONS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

	<u>TOTAL</u>	<u>PER CWT</u>	<u>PER COW</u>	<u>PERCENT</u>
<b>INCOME FROM OPERATIONS:</b>				
Milk	\$ 4,824,790	\$ 16.61	\$ 2,141	98.0 %
Calves, heifers and cows, net	22,033	0.08	10	0.5
Patronage dividend	75,900	0.26	34	1.5
Other	640	-	-	-
Total income from operations	<u>\$ 4,923,363</u>	<u>\$ 16.95</u>	<u>\$ 2,185</u>	<u>100.0 %</u>
<b>OPERATING EXPENSES:</b>				
Feed:				
Hay, silage and farming	\$ 1,116,120	\$ 3.84	\$ 495	22.7 %
Grain	1,774,427	6.11	788	36.0
Heifer raising	381,576	1.31	169	7.8
Less cost of feeding heifers	(643,455)	(2.22)	(286)	(13.1)
Total feed	<u>\$ 2,628,668</u>	<u>\$ 9.04</u>	<u>\$ 1,166</u>	<u>53.4 %</u>
Herd replacement cost:				
Depreciation - dairy cows	\$ 240,001	\$ 0.83	\$ 107	4.9 %
Loss on sale of cows	210,716	0.73	94	4.3
Total herd replacement cost	<u>\$ 450,717</u>	<u>\$ 1.56</u>	<u>\$ 201</u>	<u>9.2 %</u>
Other operating expenses:				
Interest	\$ 172,993	\$ 0.60	\$ 77	3.5 %
Rent	69,000	0.24	31	1.4
Equipment lease and rental	16,003	0.06	7	0.3
Labor	565,019	1.95	251	11.5
Depreciation - other	263,936	0.91	117	5.4
Milk hauling	145,811	0.50	65	3.0
Promotion	78,287	0.27	35	1.6
Supplies	337,101	1.16	150	6.8
Bedding	41,161	0.14	18	0.8
Repairs and maintenance	158,463	0.55	70	3.2
Manure management and environmental costs	13,160	0.05	6	0.3
Utilities	153,182	0.53	68	3.1
Taxes and licenses	68,637	0.24	30	1.4
Insurance	49,479	0.17	22	1.0
Fuel and oil	136,336	0.47	61	2.8
Legal and accounting	29,972	0.10	13	0.6
Employee benefits	4,501	0.02	2	0.1
Veterinary and breeding	75,258	0.26	33	1.5
Travel	2,355	0.01	1	-
Hauling livestock	7,930	0.03	4	0.2
Testing and trimming	18,552	0.06	8	0.4
Miscellaneous	213	-	-	-
Less cost of raising heifers	(214,485)	(0.74)	(95)	(4.4)
Total other operating expenses	<u>\$ 2,192,864</u>	<u>\$ 7.58</u>	<u>\$ 974</u>	<u>44.5 %</u>
Total operating expenses	<u>\$ 5,272,249</u>	<u>\$ 18.18</u>	<u>\$ 2,341</u>	<u>107.1 %</u>
Loss from operations	<u>\$ (348,886)</u>	<u>\$ (1.23)</u>	<u>\$ (156)</u>	<u>(7.1) %</u>
<b>OTHER EXPENSES:</b>				
Bankruptcy legal, accounting and trustee fees	<u>(37,683)</u>			
Net loss	<u>\$ (386,569)</u>			

**STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss, per Exhibit C		\$	(386,569)
Revenue and expense adjustments:			
Depreciation	\$	503,937	
Patronage dividend		(14,244)	
Calves, heifers and cows, net		(22,033)	
Loss on sale of cows		210,716	
Proceeds from sale of calves, heifers and cows		38,533	
Proceeds from sale of cows		364,744	
Capitalized cost of heifers		(857,940)	
Change in operating assets and liabilities:			
Increase in accounts receivable		(250,876)	
Decrease in inventories		68,359	
Increase in investment in growing crops		(197,750)	
Increase in prepaid expenses		(60,214)	
Decrease in deferred loan fees		2,408	
Increase in accounts payable and accrued expenses		<u>706,370</u>	
Total adjustments			<u>492,010</u>
Net cash provided by operating activities		\$	105,441

CASH FLOWS FROM INVESTING ACTIVITIES:

Return of cooperative capital	\$	3,668	
Purchase of buildings and improvements		(97,632)	
Purchase of equipment		(1,187)	
Purchase of autos and trucks		(14,884)	
Increase in cash value, life insurance		<u>(7,938)</u>	
Net cash used in investing activities			(117,973)

CASH FLOWS FROM FINANCING ACTIVITIES:

Borrowing of short-term debt	\$	4,570,067	
Repayment of short-term debt		(4,083,130)	
Repayment of long-term debt		(171,650)	
Contributions		95,000	
Distributions		<u>(50,254)</u>	
Net cash provided by financing activities			<u>360,033</u>

Net increase in cash	\$	347,501
Cash balance at January 1, 2012		<u>88,511</u>
Cash balance at June 30, 2012	\$	<u><u>436,012</u></u>

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	\$	<u><u>153,617</u></u>
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**NOTES TO THE FINANCIAL STATEMENTS**

1. **Statement of business**

Peter De Haan Holsteins, LLC Debtor-in-Possession is primarily engaged in the dairy business in Salem, Oregon. The principal source of revenues is from the production and subsequent sale of milk, which is shipped to Northwest Dairy Association a cooperative organization that transports, processes and sells the resulting milk products. Payment is made to the dairymen twice monthly, approximately one month after production. Costs of production are dominated by purchases of hay and grain commodities, and profitability can be greatly affected by the ability to obtain adequate amounts and quality of such feed at a favorable price.

2. **Summary of significant accounting policies**

**Income taxes**

Peter De Haan Holsteins, LLC Debtor-in-Possession is operated as a limited liability company, which is not a taxpaying entity, for federal and state income tax purposes; therefore, no income tax expense has been recorded in the financial statements. Income from Peter De Haan Holsteins, LLC Debtor-in-Possession is taxed to the members' on their individual returns. Peter De Haan Holsteins, LLC Debtor-in-Possession reports income earned from the limited liability company on the cash basis accounting method for tax purposes and on the accrual basis accounting method for financial statement purposes. At January 1, 2012, a cumulative temporary timing difference existed between these two methods in the amount of approximately \$7,050,000.

**Cash**

For purposes of these financial statements, the company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Inventories**

The inventories are stated at lower of cost or market value and based on estimated quantities. Cost is determined by using the average cost and first-in, first-out methods.

**Dairy herd**

The self-raised dairy animals are stated at a value which is based upon the estimated cost to raise them to their respective ages.

The expenses reported within the income statement include those of raising heifers to their maturity. Raising expenses include feed, labor, veterinary, interest, death loss and various overhead costs. For presentation on the income statement an estimated portion is allocated to reduce feed expense and other operating expenses.

The accumulated estimated costs are capitalized until the animal reaches maturity and is transferred into the milking herd. This cost is then depreciated over the useful life of the animal and deducted against dairy operations. Any remaining costs are written off when the animal is sold or has died. The dairy cows are retired on a first-in, first-out method. Depreciation is computed primarily on the straight-line method over an estimated useful life ranging from six to eight years.

**Land, dairy buildings and improvements, equipment and vehicles**

The land, dairy buildings and improvements, equipment and vehicles are stated at cost. Depreciation is computed primarily on the straight-line method over an estimated useful life of five to fifteen years.

Repairs and maintenance are charged to expense in the year incurred. Major improvements and new assets are capitalized and depreciated over an estimated useful life ranging from five to fifteen years.

**NOTES TO THE FINANCIAL STATEMENTS**

2. **Summary of significant accounting policies (continued)**

**Use of estimates in preparation of financial statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires Peter De Haan Holsteins, LLC Debtor-in-Possession to make certain estimates and assumptions that directly affect the results of reported amounts and disclosures. Actual results may differ from these estimates.

3. **Lease obligations**

Peter De Haan Holsteins, LLC Debtor-in-Possession is obligated under a month to month lease agreement to Alan and Alice Beardsley for the use of dairy facilities and farmland at the rate of \$11,500 per month. The following are the estimated annual lease obligations for the next five years ending June 30:

	DAIRY FACILITIES	EQUIPMENT
2013	\$ 138,000	\$ 22,140
2014	138,000	22,140
2015	138,000	12,915
2016	138,000	-
2017	138,000	-
Thereafter	<u>138,000</u>	<u>-</u>
Total	\$ <u>828,000</u>	\$ <u>57,195</u>

4. **Concentration of credit risk**

Peter De Haan Holsteins, LLC Debtor-in-Possession occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

As of June 30, 2012, substantially all of the accounts receivable and revenues are derived from transactions with its cooperative, Northwest Dairy Association. Peter De Haan Holsteins, LLC Debtor-in-Possession does not require collateral for balances due from the cooperative and these amounts are considered fully collectible.

5. **Related party transaction**

The loan payable, Peter and Jennifer De Haan is a related party transaction. Additionally, included in accrued interest is \$20 owed to Peter and Jennifer De Haan. For the period ended June 30, 2012, \$124 in interest has been paid to Peter and Jennifer De Haan.

6. **Investment in growing crops**

The investment in growing crops represents the estimated costs of fertilizer, seed, labor, utilities, and various other farming costs which have been incurred and are expected to produce future crops. An undetermined amount of feed was harvested and fed to the dairy herd for the period under review



**PETER DE HAAN HOLSTEINS, LLC  
DEBTOR-IN-POSSESSION**

**NOTES TO THE FINANCIAL STATEMENTS**

7. **Investments**

Peter De Haan Holsteins, LLC Debtor-in-Possession had the following investments, stated at cost, at June 30, 2012:

Northwest Dairy Association	\$ 1,033,249
Land O' Lakes, Inc.	22,512
Wilco Farmers	31,634
All West/Select Sires	8,336
Genex Cooperative, Inc.	1,805
Ag West	215
Farm Credit Services, stock	1,000
Umatilla Electric	216
CHS	19,450
Total investments	<u>\$ 1,118,417</u>

8. **Reorganization under bankruptcy proceedings**

The owner had filed a petition for relief under Chapter 11 of the Federal bankruptcy laws on June 29, 2012 in the United States Bankruptcy Court, District of Oregon. Under Chapter 11, the Debtor (Peter De Haan Holsteins, LLC) remains in possession of its assets and operates the business under the supervision of the court for the benefit of creditors.

This type of reorganization generally delays payment of liabilities incurred prior to the date of filing while the Company develops a plan of reorganization that is satisfactory to its' creditors and allows it to continue as a going concern. The carrying amounts of assets and liabilities are unaffected by the proceedings, but the liabilities are presented according to the status of creditors. A reorganization plan has not yet been determined as court hearings have not concluded.

9. **Liabilities subject to compromise**

The company's liabilities subject to compromise at June 30, 2012, consisted of the following:

LIABILITIES SUBJECT TO COMPROMISE:

UNSECURED CREDITORS:

Accounts payable, feed dealers	\$ 1,240,828
Accounts payable, trade	328,242
Loan payable, Peter and Jennifer De Haan	6,228

SECURED CREDITORS:

Farm Credit Services, secured by feed inventories, dairy herd, equipment real estate and accounts receivable	6,524,172
Department of the Treasury, secured by real estate	169,846
John Deere Credit, secured by equipment	121,378
Naeda Financial, secured by equipment	<u>45,012</u>

Total liabilities subject to compromise	<u>\$ 8,435,706</u>
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**NOTES TO THE FINANCIAL STATEMENTS**

10. **Non-cash investment and financing activities**

Non-cash investing and financing activities for the period ended June 30, 2012 consisted of the withdrawal of a vehicle in the amount of \$35,282, net of accumulated depreciation, and a related note payable in the amount of \$15,926.

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013  
 DIFFERENCE JULY 1-7

	BUDGET JULY 1-7		ACTUAL JULY 1-7		
	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
<b>INCOME:</b>					
Milk	\$339,100	\$31.05	\$339,100	\$30.05	\$0
Calves	2,000	0.18	3,300	\$0.29	1,300
Patronage dividend, USDA & Other	0	0.00	0	\$0.00	0
Heifers	0	0.00	1,521	\$0.13	1,521
Cull cows	12,500	1.14	17,307	\$1.53	4,807
<b>Total income</b>	<b>\$353,600</b>	<b>\$32.37</b>	<b>\$361,228</b>	<b>\$32.00</b>	<b>\$7,628</b>
<b>EXPENSES:</b>					
<b>Feed:</b>					
Hay	\$17,500	\$1.60	\$7,080	\$0.63	-\$10,420
Grain	85,000	7.78	82,788	\$7.34	-2,212
Heifer raising	0	0.00	0	\$0.00	0
<b>Total feed</b>	<b>\$102,500</b>	<b>\$9.38</b>	<b>\$89,868</b>	<b>\$7.97</b>	<b>-\$12,632</b>
<b>Other operating expenses:</b>					
Labor	\$0	\$0.00	\$1,723	\$0.15	\$1,723
Rent	11,500	1.05	11,500	\$1.02	0
Equipment lease (1)	1,845	0.17	1,845	\$0.16	0
Supplies (2)	45,000	4.12	0	\$0.00	-45,000
Bedding	1,500	0.14	0	\$0.00	-1,500
Repairs and maintenance	7,500	0.69	0	\$0.00	-7,500
Utilities	2,000	0.18	0	\$0.00	-2,000
Taxes and licenses (3)	0	0.00	0	\$0.00	0
Insurance (4)	6,000	0.55	1,786	\$0.16	-4,214
Fuel and oil	7,000	0.64	0	\$0.00	-7,000
Accounting	0	0.00	0	\$0.00	0
Veterinary and breeding	4,500	0.41	0	\$0.00	-4,500
Hauling livestock	2,000	0.18	0	\$0.00	-2,000
Testing and trimming	750	0.07	0	\$0.00	-750
Miscellaneous	1,500	0.14	0	\$0.00	-1,500
<b>Total other expenses</b>	<b>\$91,095</b>	<b>\$8.34</b>	<b>\$16,854</b>	<b>\$1.49</b>	<b>-\$74,241</b>
<b>Debt service</b>					
Principal	\$1,936	\$0.18	\$4,017	\$0.36	\$2,081
Interest	60	0.01	342	\$0.03	282
<b>Total debt service</b>	<b>\$1,996</b>	<b>\$0.19</b>	<b>\$4,359</b>	<b>\$0.39</b>	<b>\$2,363</b>
Personal draw	\$5,500	\$0.50	\$0	\$0.00	-\$5,500
<b>Total expenses, draw and debt service</b>	<b>\$201,091</b>	<b>\$17.91</b>	<b>\$111,081</b>	<b>\$9.85</b>	<b>-\$90,010</b>
<b>NET CASH FLOW</b>	<b>\$152,509</b>	<b>\$14.46</b>	<b>\$250,146</b>	<b>\$22.15</b>	<b>\$97,637</b>
<b>BEGINNING CASH BALANCE</b>	<b>439,799</b>		<b>422,468</b>		
<b>ENDING CASH BALANCE</b>	<b>\$592,308</b>		<b>\$672,614</b>		

(1) Equipment lease John Deere 8530 tractor \$1,845/month  
 (2) Supplies includes office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulatory fees (CAFO, highway use tax)  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance

NOTES:  
 FEED LOAN  
 Principal balance \$2,120,534  
 Interest rate 4.25%

Principal pymt	\$0	
Interest pymt	\$0	
COW LOAN		
Principal balance	\$3,307,477	
Interest rate	4.25%	
Principal pymt (6 year amort)	\$0	
Interest pymt	\$0	
REAL ESTATE - FCS		
Principal balance	\$974,708	
Interest rate	6.75%	
Principal pymt	\$0	
Interest pymt	\$0	
EQUIPMENT - FCS		
Principal balance	\$121,453	
Interest rate	4.20%	
Principal pymt	\$0	
Interest pymt	\$0	
JOHN DEERE CREDIT		
Principal balance	\$1,252	
Interest rate	0.00%	
Principal pymt	\$313	\$313
Interest pymt	\$0	
JOHN DEERE CREDIT		
Principal balance	\$3,927	
Interest rate	0.00%	
Principal pymt	\$982	\$982
Interest pymt	\$0	
NAEDA		
Principal balance	\$45,012	
Interest rate	4.95%	
Principal pymt	\$0	
Interest pymt	\$0	
FORD CREDIT		
Principal balance	\$17,151	
Interest rate	0.00%	
Principal pymt	\$0	
Interest pymt	\$0	
JOHN DEERE CREDIT		
Principal balance	\$12,035	
Interest rate	6.00%	
Principal pymt	\$641	\$641
Interest pymt	\$60	\$60
JOHN DEERE CREDIT		
Principal balance	\$102,082	
Interest rate	3.25%	
Principal pymt	\$0	\$2,082
Interest pymt	\$0	\$282
Total debt service	<u>\$1,996</u>	<u><u></u></u>

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013  
 ACTUAL JULY 8-14 DIFFERENCE JULY 8-14

BUDGET JULY 8-14

	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
<b>INCOME:</b>					
Milk	\$0	\$0.00	\$0	\$0.00	\$0
Calves	2,000	0.18	4,000	0.37	2,000
USDA	0	0.00	58,623	55.39	58,623
Milk cow and heifer sales	0	0.00	0	0.00	0
Cull cows	12,500	1.14	17,909	11.65	5,409
Total income	<u>\$14,500</u>	<u>\$1.32</u>	<u>\$80,532</u>	<u>\$7.41</u>	<u>\$66,032</u>
<b>EXPENSES:</b>					
<b>Feed:</b>					
Hay	\$17,500	\$1.60	\$19,322	\$1.78	\$1,822
Grain	65,000	5.95	64,264	55.91	-736
Heifer raising	0	0.00	0	0.00	0
Total feed	<u>\$82,500</u>	<u>\$7.55</u>	<u>\$83,586</u>	<u>\$7.69</u>	<u>\$1,086</u>
<b>Other operating expenses:</b>					
Labor	\$40,000	\$3.66	\$39,386	\$3.62	-\$614
Rent	0	0.00	0	0.00	0
Equipment lease (1)	0	0.00	0	0.00	0
Supplies (2)	5,000	0.46	23,744	\$2.18	18,744
Bedding	1,500	0.14	892	\$0.08	-608
Repairs and maintenance	7,500	0.69	4,997	\$0.46	-2,503
Utilities	2,000	0.18	248	\$0.02	-1,753
Taxes and licenses (3)	12,000	1.10	20,422	\$1.88	8,422
Insurance (4)	4,000	0.37	6,612	\$0.61	2,612
Fuel and oil	7,000	0.64	5,000	\$0.46	-2,000
Accounting	0	0.00	0	0.00	0
Veterinary and breeding	4,500	0.41	0	0.00	-4,500
Hauling livestock	2,000	0.18	0	0.00	-2,000
Testing and trimming	750	0.07	0	0.00	-750
Miscellaneous	1,500	0.14	583	\$0.05	-917
Total other expenses	<u>\$87,750</u>	<u>\$8.04</u>	<u>\$101,883</u>	<u>\$9.36</u>	<u>\$14,133</u>
<b>Debt service</b>					
Principal	\$2,388	\$0.22	\$2,389	\$0.22	\$1
Interest	186	0.02	186	\$0.02	0
Total debt service	<u>\$2,574</u>	<u>\$0.24</u>	<u>\$2,575</u>	<u>\$0.24</u>	<u>\$1</u>
Personal draw	\$0	\$0.00	\$0	\$0.00	\$0
Total expenses, draw and debt service	<u>\$172,824</u>	<u>\$15.83</u>	<u>\$188,044</u>	<u>\$17.29</u>	<u>\$15,220</u>
<b>NET CASH FLOW</b>	<u>-\$158,324</u>	<u>-\$14.51</u>	<u>-\$107,512</u>	<u>-\$9.88</u>	<u>\$50,812</u>
<b>BEGINNING CASH BALANCE</b>	<u>592,308</u>		<u>672,614</u>		
<b>ENDING CASH BALANCE</b>	<u><u>\$433,984</u></u>		<u><u>\$565,102</u></u>		

(1) Equipment lease John Deere 8530 tractor \$1845/month

(2) Supplies includes office supplies, animal health supplies(medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 ACTUAL JULY 15-21 DIFFERENCE JULY 15-21

INCOME:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Milk	\$330,000	\$30.21	\$0	\$0.00	-\$330,000
Calves	2,000	0.18	1,150	\$0.11	-850
USDA	0	0.00	0	\$0.00	0
Milk cow and heifer sales	0	0.00	0	\$0.00	0
Cull cows	12,500	1.14	0	\$0.00	-12,500
Total income	<u>\$344,500</u>	<u>\$31.53</u>	<u>\$1,150</u>	<u>\$0.11</u>	<u>-\$343,350</u>

**EXPENSES:**

Feed:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Hay	\$17,500	\$1.60	\$10,468	\$0.96	-\$7,032
Grain	65,000	5.95	77,672	\$7.14	12,672
Heifer raising	0	0.00	0	\$0.00	0
Total feed	<u>\$82,500</u>	<u>\$7.55</u>	<u>\$88,139</u>	<u>\$8.10</u>	<u>\$5,639</u>

Other operating expenses:

Labor	\$0	\$0.00	\$104	\$0.01	\$104
Rent	0	0.00	0	\$0.00	0
Equipment lease (1)	0	0.00	0	\$0.00	0
Supplies (2)	5,000	0.46	84	\$0.01	-4,916
Bedding	1,500	0.14	3,724	\$0.34	2,224
Repairs and maintenance	7,500	0.69	1,596	\$0.15	-5,904
Utilities	2,000	0.18	0	\$0.00	-2,000
Taxes and licenses (3)	0	0.00	325	\$0.03	325
Insurance (4)	20,000	1.83	11,116	\$1.02	-8,884
Fuel and oil	7,000	0.64	0	\$0.00	-7,000
Accounting	0	0.00	0	\$0.00	0
Veterinary and breeding	4,500	0.41	893	\$0.08	-3,608
Hauling livestock	2,000	0.18	1,080	\$0.10	-920
Testing and trimming	750	0.07	0	\$0.00	-750
Miscellaneous	1,500	0.14	121	\$0.01	-1,379
Total other expenses	<u>\$51,750</u>	<u>\$4.74</u>	<u>\$19,042</u>	<u>\$1.75</u>	<u>-\$32,708</u>

Debt service					
Principal	\$9,150	\$0.84	\$0	\$0.00	-\$9,150
Interest	25,132	2.30	0	\$0.00	-25,132
Total debt service	<u>\$34,282</u>	<u>\$3.14</u>	<u>\$0</u>	<u>\$0.00</u>	<u>-\$34,282</u>
Personal draw	\$0	\$0.00	\$0	\$0.00	\$0
Total expenses, draw and debt service	<u>\$168,532</u>	<u>\$15.43</u>	<u>\$107,181</u>	<u>\$9.85</u>	<u>-\$61,351</u>

<b>NET CASH FLOW</b>	<b>\$175,968</b>	<b>\$16.10</b>	<b>-\$106,031</b>	<b>-\$9.74</b>	<b>-\$281,999</b>
<b>BEGINNING CASH BALANCE</b>	<b>433,984</b>		<b>565,102</b>		
<b>ENDING CASH BALANCE</b>	<b>\$609,952</b>		<b>\$459,071</b>		

(1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies include office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulatory fe  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance

NOTES:

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 BUDTGET JULY 22-31 ACTUAL JULY 22-31 DIFFERENCE JULY 22-31

INCOME:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Milk	\$340,000	\$31.13	\$704,035	\$64.76	\$364,035
Calves	2,000	0.18	1,370	\$0.13	-630
USDA	0	0.00	0	\$0.00	0
Milk cow and heifer sales	0	0.00	64,900	\$5.97	64,900
Cull cows	12,500	1.14	12,005	\$1.10	-495
<b>Total income</b>	<b>\$354,500</b>	<b>\$32.45</b>	<b>\$782,310</b>	<b>\$71.96</b>	<b>\$427,810</b>

EXPENSES:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Feed:					
Hay	\$17,500	\$1.60	\$33,143	\$3.05	\$15,643
Grain	65,000	5.95	80,373	\$7.39	15,373
Heifer raising	65,000	5.95	62,412	\$5.74	-2,588
<b>Total feed</b>	<b>\$147,500</b>	<b>\$13.50</b>	<b>\$175,928</b>	<b>\$16.18</b>	<b>\$28,428</b>

Other operating expenses:					
Labor	\$40,000	\$3.66	\$39,355	\$3.62	-\$645
Rent	0	0.00	0	\$0.00	0
Equipment lease (1)	0	0.00	0	\$0.00	0
Supplies (2)	5,000	0.46	2,817	\$0.26	-2,183
Bedding	1,500	0.14	892	\$0.08	-608
Repairs and maintenance	7,500	0.69	14,436	\$1.33	6,936
Utilities	19,000	1.74	7,437	\$0.68	-11,563
Taxes and licenses (3)	20,000	1.83	12,342	\$1.14	-7,658
Insurance (4)	2,000	0.18	0	\$0.00	-2,000
Fuel and oil	7,000	0.64	13,144	\$1.21	6,144
Accounting	5,000	0.46	0	\$0.00	-5,000
Veterinary and breeding	4,500	0.41	8,038	\$0.74	3,538
Hauling livestock	2,000	0.18	0	\$0.00	-2,000
Testing and trimming	750	0.07	0	\$0.00	-750
Miscellaneous	1,500	0.14	1,167	\$0.11	-333
<b>Total other expenses</b>	<b>\$115,750</b>	<b>\$10.60</b>	<b>\$99,627</b>	<b>\$9.17</b>	<b>-\$16,123</b>

Debt service					
Principal	\$2,088	\$0.19	\$11,238	\$1.03	\$9,150
Interest	276	0.03	25,318	\$2.33	25,042
<b>Total debt service</b>	<b>\$2,364</b>	<b>\$0.22</b>	<b>\$36,556</b>	<b>\$3.36</b>	<b>\$34,192</b>
Personal draw	\$0	\$0.00	\$0	\$0.00	\$0
Total expenses, draw and debt service	\$265,614	\$24.32	\$312,111	\$28.71	\$46,497

<b>NET CASH FLOW</b>	<b>\$88,886</b>	<b>\$8.13</b>	<b>\$470,199</b>	<b>\$43.25</b>	<b>\$381,313</b>
<b>BEGINNING CASH BALANCE</b>	<b>609,952</b>		<b>459,071</b>		
<b>ENDING CASH BALANCE</b>	<b>\$698,838</b>		<b>\$929,270</b>		

(1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies include office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulatory fe  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance

NOTES:

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 BUDTGET AUGUST 1-31 ACTUAL AUGUST 1-31 DIFFERENCE AUGUST 1-31

<u>INCOME:</u>	<u>AMOUNT</u>	<u>PER CWT</u>	<u>AMOUNT</u>	<u>PER CWT</u>	<u>AMOUNT</u>
	<u>OF MILK</u>	<u>OF MILK</u>	<u>OF MILK</u>	<u>OF MILK</u>	
Milk	\$740,000	\$67.75	\$400,810	\$36.87	-\$339,190
Calves	5,000	0.46	3,915	\$0.36	-1,085
USDA	0	0.00	0	\$0.00	0
Patronage dividends	0	0.00	15,739	\$1.45	15,739
Milk cow and heifer sales	0	0.00	66,375	\$6.11	66,375
Cull cows	50,000	4.58	57,713	\$5.31	7,713
<b>Total income</b>	<b>\$795,000</b>	<b>\$72.79</b>	<b>\$544,552</b>	<b>\$50.10</b>	<b>-\$250,448</b>

EXPENSES:

Feed:					
Hay	\$50,000	\$4.58	\$39,272	\$3.61	-\$10,728
Grain	335,000	30.67	370,636	\$34.09	35,636
Heifer raising	65,000	5.95	60,957	\$5.61	-4,043
<b>Total feed</b>	<b>\$450,000</b>	<b>\$41.20</b>	<b>\$470,865</b>	<b>\$43.31</b>	<b>\$20,865</b>

Other operating expenses:

Labor	\$80,000	\$7.32	\$79,762	\$7.34	-\$238
Rent	11,500	1.05	11,500	\$1.06	0
Equipment lease (1)	1,845	0.17	1,845	\$0.17	0
Supplies (2)	50,000	4.58	50,200	\$4.62	200
Bedding	6,000	0.55	6,549	\$0.60	549
Repairs and maintenance	40,000	3.66	35,577	\$3.27	-4,423
Manure management	30,000	2.75	18,463	\$1.70	-11,538
Utilities	25,000	2.29	21,318	\$1.96	-3,682
Taxes and licenses (3)	24,000	2.20	20,229	\$1.86	-3,771
Insurance (4)	9,000	0.82	6,649	\$0.61	-2,351
Fuel and oil	28,000	2.56	27,475	\$2.53	-525
Accounting	5,000	0.46	0	\$0.00	5,000
Veterinary and breeding	18,000	1.65	11,401	\$1.05	-6,599
Hauling livestock	8,000	0.73	8,737	\$0.80	737
Testing and trimming	3,000	0.27	3,437	\$0.32	437
Miscellaneous	6,000	0.55	5,296	\$0.49	-704
<b>Total other expenses</b>	<b>\$345,345</b>	<b>\$31.61</b>	<b>\$308,438</b>	<b>\$28.38</b>	<b>-\$36,907</b>

Debt service

Principal	\$15,653	\$1.43	\$15,653	\$1.44	\$0
Interest	25,563	2.34	25,473	\$2.34	-90
<b>Total debt service</b>	<b>\$41,216</b>	<b>\$3.77</b>	<b>\$41,126</b>	<b>\$3.78</b>	<b>-\$90</b>

Personal draw

Personal draw	\$5,500	\$0.50	\$5,500	\$0.51	\$0
<b>Total expenses, draw and debt service</b>	<b>\$842,061</b>	<b>\$76.58</b>	<b>\$825,929</b>	<b>\$75.47</b>	<b>-\$16,132</b>

Utility deposits

Utility deposits	\$0	\$0.00	\$212	\$0.02	\$212
Capital expenditures	0	\$0.00	13,257	\$1.22	13,257

**NET CASH FLOW**

<b>NET CASH FLOW</b>	<b>-\$47,061</b>	<b>\$0.00</b>	<b>-\$294,846</b>	<b>-\$26.61</b>	<b>-\$247,785</b>
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**BEGINNING CASH BALANCE**

<b>BEGINNING CASH BALANCE</b>	<b>698,838</b>		<b>929,270</b>		
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**ENDING CASH BALANCE**

<b>ENDING CASH BALANCE</b>	<b>\$651,777</b>		<b>\$634,424</b>		
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(1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies includes office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulator.  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance



**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 BUDGET SEPTEMBER 1-30 ACTUAL SEPTEMBER 1-30 DIFFERENCE SEPTEMBER 1-30

	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
<b>INCOME:</b>					
Milk	\$780,000	\$16.66	\$1,196,580	\$26.94	\$416,580
Calves	5,000	0.11	2,970	\$0.07	-2,030
USDA	0	0.00	0	\$0.00	0
Parsonage dividends	0	0.00	0	\$0.00	0
Milk cow and heifer sales	50,000	0.00	73,557	\$1.66	73,557
Cull cows	50,000	1.07	35,662	\$0.80	-14,338
<b>Total income</b>	<b>\$935,000</b>	<b>\$17.84</b>	<b>\$1,308,769</b>	<b>\$29.47</b>	<b>\$473,769</b>

	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
<b>EXPENSES:</b>					
<b>Feed:</b>					
Hay	\$70,000	\$1.50	\$51,335	\$1.16	-\$18,665
Grain	335,000	7.16	379,996	\$8.55	44,996
Heifer raising	65,000	1.39	57,457	\$1.29	-7,543
<b>Total feed</b>	<b>\$470,000</b>	<b>\$10.05</b>	<b>\$488,788</b>	<b>\$11.00</b>	<b>\$18,788</b>

<b>Other operating expenses:</b>					
Labor	\$80,000	\$1.71	\$77,554	\$1.75	-\$2,446
Rent	11,500	0.25	11,500	\$0.26	0
Equipment lease (1)	1,845	0.04	1,845	\$0.04	0
Supplies (2)	50,000	1.07	44,513	\$1.00	-5,487
Bedding	6,000	0.13	5,427	\$0.12	-573
Repairs and maintenance	40,000	0.85	39,346	\$0.89	-654
Manure management	25,000	0.53	24,529	\$0.55	-471
Utilities	25,000	0.53	41,390	\$0.93	16,390
Taxes and licenses (3)	24,000	0.51	19,692	\$0.44	-4,308
Insurance (4)	9,000	0.19	14,158	\$0.32	5,158
Fuel and oil	28,000	0.60	29,321	\$0.66	1,321
Accounting	5,000	0.11	0	\$0.00	-5,000
Veterinary and breeding	18,000	0.38	7,677	\$0.17	-10,323
Hauling livestock	8,000	0.17	5,623	\$0.13	-2,377
Testing and trimming	3,000	0.06	3,363	\$0.08	363
Miscellaneous	6,000	0.13	1,864	\$0.04	-4,136
<b>Total other expenses</b>	<b>\$340,345</b>	<b>\$7.26</b>	<b>\$327,802</b>	<b>\$7.38</b>	<b>-\$12,543</b>

<b>Debt service</b>					
Principal	\$15,653	\$0.33	\$15,653	\$0.35	\$0
Interest	25,563	0.55	25,473	\$0.57	-90
<b>Total debt service</b>	<b>\$41,216</b>	<b>\$0.88</b>	<b>\$41,126</b>	<b>\$0.92</b>	<b>-\$90</b>
<b>Personal draw</b>	<b>\$5,500</b>	<b>\$0.12</b>	<b>\$5,500</b>	<b>\$0.12</b>	<b>\$0</b>

<b>Total expenses, draw and debt service</b>	<b>\$657,061</b>	<b>\$18.19</b>	<b>\$863,216</b>	<b>\$19.42</b>	<b>\$6,155</b>
Prepayment for silage bags, inoculant, etc.	\$0	\$0.00	-\$22,390	-\$0.50	-\$22,390
Utility deposits	0	0.00	-5,029	-\$0.11	-5,029
Capital expenditures	0	0.00	0	\$0.00	0

<b>NET CASH FLOW</b>	<b>-\$22,061</b>	<b>\$0.00</b>	<b>\$418,134</b>	<b>\$9.44</b>	<b>\$472,643</b>
<b>BEGINNING CASH BALANCE</b>	<b>651,777</b>		<b>634,424</b>		
<b>ENDING CASH BALANCE</b>	<b>\$629,716</b>		<b>\$1,052,558</b>		

Notes:  
 (1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies includes office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulatory fees  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance  
 (5) Utilities includes \$8,050 PG&E bill that should have been received in August, but not sent until September - see previous months under budget  
 (6) Insurance includes \$5,972 8/10/12 Mass Mutual payment via electronic bank debit, missing from prior month schedule  
 (7) Supplies includes 8/1/12 bank charge for checks ordered missing from prior month schedule

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 BUDGET OCTOBER 1-31 ACTUAL OCTOBER 1-31 DIFFERENCE OCTOBER 1-31

INCOME:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Milk	\$800,000	\$17.09	\$813,405	\$16.31	\$13,405
Calves	4,000	0.09	2,775	\$0.06	-1,225
USDA	0	0.00	13,935	\$0.31	13,935
Patronage dividends	0	0.00	0	\$0.00	0
Milk cow and heifer sales	855,000	18.26	712,683	\$16.04	-142,317
Cull cows	40,000	0.85	19,829	\$0.45	-20,171
Total income	\$1,699,000	\$36.29	\$1,562,627	\$35.17	-\$136,373

EXPENSES:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Feed:					
Hay	\$50,000	\$1.07	\$58,072	\$1.31	\$8,072
Silage and earlage purchases	110,000	\$2.35	109,700	\$10.09	
Grain	335,000	7.16	292,578	\$6.59	-42,422
Farming	355,000	7.58	93,942	\$8.64	
Heifer raising	65,000	1.39	21,754	\$0.49	-43,246
Total feed	\$915,000	\$19.55	\$576,046	\$27.12	-\$338,954

Other operating expenses:					
Labor	\$80,000	\$1.71	\$83,711	\$1.88	\$3,711
Rent	11,500	0.25	11,500	\$0.26	0
Equipment lease (1)	1,845	0.04	1,845	\$0.04	0
Supplies (2)	50,000	1.07	52,279	\$1.18	2,279
Bedding	6,000	0.13	5,232	\$0.12	-768
Repairs and maintenance	30,000	0.64	30,073	\$0.68	73
Manure management	0	0.00	0	\$0.00	0
Utilities	25,000	0.53	25,304	\$0.57	304
Taxes and licenses (3)	24,000	0.51	29,182	\$0.66	5,182
Insurance (4)	9,000	0.19	3,306	\$0.07	-5,694
Fuel and oil	28,000	0.60	27,265	\$0.61	-735
Accounting	5,000	0.11	0	\$0.00	-5,000
Veterinary and breeding	18,000	0.38	10,183	\$0.23	-7,817
Hauling livestock	1,000	0.02	9,474	\$0.21	8,474
Testing and trimming	500	0.01	0	\$0.00	-500
Miscellaneous	6,000	0.13	3,603	\$0.08	-2,397
Total other expenses	\$295,845	\$6.32	\$292,957	\$6.59	-\$2,888

Debt service					
Principal	\$58,159	\$1.24	\$58,161	\$1.31	\$2
Interest	34,189	0.73	29,261	\$0.66	-4,928
Total debt service	\$92,348	\$1.97	\$87,422	\$1.97	-\$4,926

Personal draw	\$5,500	\$0.12	\$5,500	\$0.12	\$0
Total expenses, draw and debt service	\$1,308,693	\$27.84	\$961,925	\$35.80	-\$386,768

U.S. Bankruptcy Trustee Fees	\$0	\$0.00	-\$9,750	-\$0.22	-\$9,750
Utility deposits	0	0.00	0	\$0.00	0
Capital expenditures	0	0.00	0	\$0.00	0
<b>NET CASH FLOW</b>	<b>\$390,307</b>	<b>\$0.00</b>	<b>\$590,952</b>	<b>-\$0.85</b>	<b>-\$50,963</b>

<b>BEGINNING CASH BALANCE</b>	<b>629,716</b>	<b>1,052,558</b>
<b>ENDING CASH BALANCE</b>	<b>\$1,020,023</b>	<b>\$1,643,510</b>

Notes:  
 (1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies includes office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulato  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 BUDGET NOVEMBER 1-30 ACTUAL NOVEMBER 1-30 DIFFERENCE NOVEMBER 1-30

INCOME:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Milk	\$800,000	\$17.09	\$863,813	\$19.45	\$63,813
Calves	4,000	0.09	2,730	\$0.06	-1,270
USDA	0	0.00	0	\$0.00	0
Patronage dividends	0	0.00	0	\$0.00	0
Milk cow and heifer sales	75,000	1.60	189,100	\$4.26	114,100
Cull cows	40,000	0.85	60,231	\$1.36	20,231
Total income	\$919,000	\$19.63	\$1,115,874	\$25.13	\$196,874

EXPENSES:	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
Feed:					
Hay	\$45,000	\$0.96	\$58,894	\$1.33	\$13,894
Silage and earlage purchases	110,000	\$2.35	109,698	\$10.09	-\$302
Grain	335,000	7.16	298,670	\$6.72	-\$36,330
Farming	0	0.00	0	\$0.00	\$0
Heifer raising	40,000	0.85	6,707	\$0.15	-\$33,293
Total feed	\$530,000	\$11.32	\$473,969	\$18.29	-\$56,031

Other operating expenses:					
Labor	\$72,000	\$1.54	\$113,584	\$2.56	\$41,584
Rent	11,500	0.25	11,500	\$0.26	0
Equipment lease (1)	1,845	0.04	1,845	\$0.04	0
Supplies (2)	45,000	0.96	39,692	\$0.89	-\$5,308
Bedding	6,000	0.13	1,896	\$0.04	-\$4,104
Repairs and maintenance	30,000	0.64	30,268	\$0.68	268
Manure management	0	0.00	0	\$0.00	0
Utilities	25,000	0.53	24,969	\$0.56	-\$31
Taxes and licenses (3)	24,000	0.51	36,883	\$0.83	12,883
Insurance (4)	9,000	0.19	8,583	\$0.19	-\$417
Fuel and oil	25,000	0.53	19,322	\$0.43	-\$5,678
Accounting	5,000	0.11	0	\$0.00	-\$5,000
Veterinary and breeding	17,000	0.36	11,997	\$0.27	-\$5,003
Hauling livestock	1,000	0.02	3,455	\$0.08	2,455
Testing and trimming	3,000	0.06	3,247	\$0.07	247
Miscellaneous	6,000	0.13	572	\$0.01	-\$5,428
Total other expenses	\$281,345	\$6.00	\$307,813	\$6.91	\$26,468

Debt service					
Principal	\$14,451	\$0.31	\$14,451	\$0.33	\$0
Interest	25,471	0.54	25,380	\$0.57	-\$91
Total debt service	\$39,921	\$0.85	\$39,831	\$0.90	-\$90

Personal draw	\$5,500	\$0.12	\$5,500	\$0.12	\$0
Total expenses, draw and debt service	\$856,766	\$18.17	\$827,113	\$26.22	-\$29,653

U.S. Bankruptcy Trustee Fees	\$0	\$0.00	\$0	\$0.00	\$0
Utility deposits	0	0.00	-4,997	-\$0.11	-4,997
Prepetition debt and related legal expense	0	0.00	-2,743	-\$0.06	-2,743
Late penalty on Dept of Treasury installment payment	0	0.00	-10,067	-\$0.23	-10,067
Capital expenditures	0	0.00	0	\$0.00	0

<b>NET CASH FLOW</b>	<b>\$62,234</b>	<b>\$0.00</b>	<b>\$270,954</b>	<b>-\$1.20</b>	<b>\$231,524</b>
<b>BEGINNING CASH BALANCE</b>	<b>1,020,023</b>		<b>1,643,510</b>		
<b>ENDING CASH BALANCE</b>	<b>\$1,082,257</b>		<b>\$1,914,464</b>		

Notes:  
 (1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies includes office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulatory fees (CAF)  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance  
 (5) Property tax payment of \$6,895.95 included in taxes and licenses  
 (6) Increased labor and taxes due to 3 bi-weekly pay dates falling in the month

**PETER DEHAAN HOLSTEINS**  
**POST-PETITION MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

PRINT DATE 01/15/2013 PRINT DATE 01/15/2013  
 BUDGET DECEMBER 1-31 ACTUAL DECEMBER 1-31 DIFFERENCE DECEMBER 1-31

	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
<b>INCOME:</b>					
Milk	\$775,000	\$16.56	\$399,710	\$9.00	-\$375,290
Calves	4,000	0.09	2,480	\$0.06	-1,520
USDA	0	0.00	0	\$0.00	0
Patronage dividends	0	0.00	0	\$0.00	0
Milk cow and heifer sales	75,000	1.60	65,575	\$1.48	-9,425
Cull cows	40,000	0.85	31,564	\$0.71	-8,436
Total income	\$894,000	\$19.10	\$499,329	\$11.25	-\$394,671

	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK	AMOUNT
<b>EXPENSES:</b>					
<b>Feed:</b>					
Hay	\$40,000	\$0.85	\$81,260	\$1.83	\$41,260
Silage and earlage purchases	110,000	\$2.35	193,480	\$17.80	\$83,480
Grain	335,000	7.16	296,660	\$6.72	-36,340
Farming	0	0.00	0	\$0.00	\$0
Heifer raising	0	0.00	0	\$0.00	\$0
Total feed	\$485,000	\$10.36	\$579,558	\$26.49	\$94,558

<b>Other operating expenses:</b>					
Labor	\$72,000	\$1.54	\$72,530	\$1.63	\$530
Rent	11,500	0.25	11,500	\$0.26	0
Equipment lease (1)	1,845	0.04	1,845	\$0.04	0
Supplies (2)	42,000	0.90	37,903	\$0.85	-4,097
Bedding	6,000	0.13	6,513	\$0.15	513
Repairs and maintenance	30,000	0.64	29,772	\$0.67	-228
Manure management	0	0.00	0	\$0.00	0
Utilities	25,000	0.53	26,393	\$0.59	1,393
Taxes and licenses (3)	24,000	0.51	18,741	\$0.42	-5,259
Insurance (4)	9,000	0.19	10,322	\$0.23	1,322
Fuel and oil	25,000	0.53	26,513	\$0.60	1,513
Accounting	5,000	0.11	0	\$0.00	-5,000
Veterinary and breeding	16,000	0.34	7,908	\$0.18	-8,092
Hauling livestock	1,000	0.02	3,710	\$0.08	2,710
Testing and trimming	500	0.01	737	\$0.02	237
Miscellaneous	6,000	0.13	301	\$0.01	-5,699
Total other expenses	\$274,845	\$5.87	\$254,688	\$5.73	-\$20,157

<b>Debt service</b>					
Principal	\$14,497	\$0.31	\$14,497	\$0.33	\$0
Interest	25,424	0.54	25,334	\$0.57	-90
Total debt service	\$39,921	\$0.85	\$39,831	\$0.90	-\$90

<b>Personal draw</b>	\$5,500	\$0.12	\$5,500	\$0.12	\$0
<b>Total expenses, draw and debt service</b>	\$805,266	\$17.08	\$879,577	\$33.24	\$74,311

<b>U.S. Bankruptcy Trustee Fees</b>	\$0	\$0.00	\$0	\$0.00	\$0
Utility deposits	0	0.00	-4,992	-\$0.11	-4,992
Prepetition debt and related legal expense	0	0.00	0	\$0.00	0
Late penalty on Dept of Treasury installment payment	0	0.00	0	\$0.00	0
Capital expenditures	0	0.00	0	\$0.00	0

**NET CASH FLOW** \$88,734 \$0.00 -\$385,240 -\$22.10 -\$463,990

**BEGINNING CASH BALANCE** 1,082,257 1,914,464

**ENDING CASH BALANCE** \$1,170,991 \$1,529,224

Notes:  
 (1) Equipment lease John Deere 8530 tractor \$1845/month  
 (2) Supplies includes office supplies, animal health supplies (medication, vaccination, hoof care, breeding, needles/syringes) and vet supplies (cleaning chemicals, milking machine liners, towels/laundry)  
 (3) Taxes and licenses includes payroll tax deposits (income tax withholding and employee and employer social security and medicare), quarterly Federal and State unemployment tax and various regulatory fees (CAF)  
 (4) Insurance includes workers comp (SAIF), commercial farm and auto, general liability and key man life insurance  
 (5) Milk income is low due to December advance check not being received until January 2013 (normally received in December)  
 (6) Hay and silage are high due to paying January payments early

NOTES:

FEED LOAN		
Principal balance	\$2,120,534	
Interest rate	4.25%	
Principal pymt	\$0	\$7,510
Interest pymt	\$7,510	
COW LOAN		
Principal balance	\$3,307,477	
Interest rate	4.25%	
Principal pymt (6 year amort)	\$0	\$11,714
Interest pymt	\$11,714	
REAL ESTATE - FCS		
Principal balance	\$974,708	
Interest rate	6.75%	
Principal pymt	\$0	\$5,393
Interest pymt	\$5,483	
EQUIPMENT - FCS		
Principal balance	\$75,382	
Interest rate	4.20%	
Principal pymt	\$9,311	\$9,311
Interest pymt	\$264	\$264
JOHN DEERE CREDIT		
Principal balance	\$0	
Interest rate	0.00%	
Principal pymt	\$0	\$0
Interest pymt	\$0	
JOHN DEERE CREDIT		
Principal balance	\$0	
Interest rate	0.00%	
Principal pymt	\$0	\$0
Interest pymt	\$0	
NAEDA		
Principal balance	\$39,147	
Interest rate	4.95%	
Principal pymt	\$1,188	\$1,188
Interest pymt	\$161	\$161
FORD CREDIT		
Principal balance	\$11,026	
Interest rate	0.00%	
Principal pymt	\$1,225	\$1,225
Interest pymt	\$0	
JOHN DEERE CREDIT		
Principal balance	\$8,799	
Interest rate	6.00%	
Principal pymt	\$657	\$657
Interest pymt	\$44	\$44
JOHN DEERE CREDIT		
Principal balance	\$91,587	
Interest rate	3.25%	
Principal pymt	\$2,116	\$2,116
Interest pymt	\$248	\$248
DEPT OF TREASURY		
Principal balance	\$127,384	
Interest rate	2.00%	
Principal pymt	\$0	\$0
Interest pymt	\$0	\$0
Total debt service	<u>\$39,921</u>	<u>\$39,831</u>

**Peter DeHaan Holsteins, LLC**  
**2013 ESTIMATED MONTHLY CASH FLOW PROJECTION**  
**(PRELIMINARY DRAFT, FOR DISCUSSION PURPOSES ONLY)**

	MILK 1600 COWS 85 LBS PER COW PER DAY PRICE @ \$19.25 PER CWT		MILK 675 COWS 85 LBS PER COW PER DAY PRICE @ \$19.25 PER CWT	
	AMOUNT	PER CWT OF MILK	AMOUNT	PER CWT OF MILK
<b>INCOME:</b>				
Milk	\$795,872	\$19.25	\$335,759	\$19.25
Calves	2,813	0.07	1,169	0.07
Pat Div and other	7,000	0.17	2,500	0.14
Cull cows	42,109	1.02	17,500	1.00
Total income	<u>\$847,794</u>	<u>\$20.51</u>	<u>\$356,928</u>	<u>\$20.46</u>
<b>EXPENSES:</b>				
Feed:				
Hay and silage	\$164,954	\$3.99	\$65,693	\$3.77
Grain	204,288	4.94	86,184	4.94
Total feed	<u>\$369,242</u>	<u>\$8.93</u>	<u>\$151,877</u>	<u>\$8.71</u>
Replacement costs	<u>\$97,500</u>	<u>\$2.36</u>	<u>\$37,500</u>	<u>\$2.15</u>
Other operating expenses:				
Labor	64,000	1.55	24,000	1.38
Milk hauling	20,672	0.50	8,721	0.50
Promotion	11,163	0.27	4,709	0.27
Supplies	43,411	1.05	18,314	1.05
Repairs and maintenance	22,739	0.55	9,593	0.55
Bedding	3,721	0.09	1,570	0.09
Utilities	19,845	0.48	8,372	0.48
Taxes and licenses	9,923	0.24	4,186	0.24
Insurance	6,615	0.16	2,791	0.16
Fuel and oil	16,538	0.40	6,977	0.40
Legal and accounting	4,134	0.10	1,744	0.10
Employee benefits	827	0.02	349	0.02
Veterinary and breeding	10,336	0.25	4,361	0.25
Hauling livestock	827	0.02	349	0.02
Testing and trimming	2,067	0.05	872	0.05
Miscellaneous	413	0.01	174	0.01
Total other expenses	<u>\$237,231</u>	<u>\$5.74</u>	<u>\$97,082</u>	<u>\$5.57</u>
Debt service:				
Principal	\$18,123	\$0.44	\$10,121	0.58
Interest	13,835	0.33	12,066	0.69
Total debt service	<u>\$31,958</u>	<u>\$0.77</u>	<u>\$22,187</u>	<u>\$1.27</u>
Personal draw	<u>\$5,500</u>	<u>\$0.13</u>	<u>\$5,500</u>	<u>\$0.32</u>
Total expenses, draw and debt service	<u>\$741,431</u>	<u>\$17.80</u>	<u>\$314,146</u>	<u>\$17.70</u>
<b>PROJECTED CASH FLOW</b>	<u><b>\$106,363</b></u>	<u><b>\$2.71</b></u>	<u><b>\$42,782</b></u>	<u><b>\$2.76</b></u>

MILK INCC	Total cows	1,925		800
	Milk cows	1,600		675
	Dry cows and bulls	325		125
	Heifers	1,750		600
	# lbs per cow	85		85
	# days in month	30.4		30.4
	Price of milk per lb	\$19.25		\$19.25
CALF INCC	Calving interval	13		13
	Price per calf	\$40		\$40
	Survival rate - %	95%		95%
	Self-raised program (Y/N)	Y		Y
CULL COV	Cull rate - %	35%		35%
	Price per cull	\$750		\$750
FEED:	Milk cow hay price per ton	\$250		\$250
	Milk cow hay lbs per day	6		6
	Dry cow hay/silage price per ton	\$185		\$185
	Dry cow hay/silage lbs per day	34		34
	Silage price per ton	\$45		\$42
	Silage lbs per day	50		50
	Earlage price per ton	\$135		\$126
	Earlage lbs per day	13		13
	Milk cow grain price per ton	\$350		\$350
	Milk cow grain lbs per day	24		24
REPLACE	# of head (sold & dead)	65		25
	Price per head	\$1,500		\$1,500
	Dead	9		4
LABOR:	# of workers	32		12
	Cost per month	\$2,000		\$2,000

NOTES: Feed		
Principal balance	\$2,120,534	\$0
Interest rate	4.25%	4.25%
Principal pymt	\$0	\$0
Interest pymt	\$7,510	\$0
Herd		
Principal balance	\$3,307,477	\$0
Interest rate	4.25%	4.25%
Principal pymt	\$0	\$0
Interest pymt	\$11,714	\$0
Equipment		
Principal balance	\$66,071	\$0
Interest rate	4.20%	4.20%
Principal pymt	\$9,344	\$0
Interest pymt	\$231	\$0
Land/Restructured FCS debt		
Principal balance	\$974,708	\$3,500,000
Interest rate	6.75%	4.00%
Principal pymt	\$0	\$6,807
Interest pymt	\$5,483	\$11,667
US Treasury		
Principal balance	\$127,384	\$0
Interest rate	2.00%	2.00%
Principal pymt	\$3,539	\$0
Interest pymt	\$212	\$0
Ford Credit		
Principal balance	\$9,801	\$0
Interest rate	0.00%	0.00%
Principal pymt	\$1,225	\$0
Interest pymt	\$0	\$0
John Deere		
Principal balance	\$89,471	\$89,471
Interest rate	3.25%	3.25%
Principal pymt	\$2,122	\$2,122
Interest pymt	\$242	\$242
John Deere		
Principal balance	\$8,142	\$0
Interest rate	0.00%	0.00%
Principal pymt	\$701	\$0
Interest pymt	\$0	\$0
Naeda		
Principal balance	\$37,959	\$37,959
Interest rate	4.95%	4.95%
Principal pymt	\$1,192	\$1,192
Interest pymt (15 yrs)	\$157	\$157
Total debt service	<u>\$31,958</u>	<u>\$22,187</u>



LIQUIDATION ESTIMATE  
December 31, 2012

Cash <sup>1</sup>	\$1,901,980.00
A/R <sup>2</sup>	\$775,000.00
Feed Inventories	\$2,200,000.00
Cows <sup>3</sup>	\$2,699,200.00
Heifers <sup>3</sup>	\$1,226,400.00
Dairy Facility <sup>4</sup> (Salem Farm)	
Heifer Facility <sup>5</sup> (McMinnville Farm)	
Equipment and Vehicles <sup>6</sup>	\$2,000,000.00
Investments <sup>7</sup>	\$110,000.00
Life Insurance <sup>8</sup>	\$155,000.00
	-----
Total Sale Proceeds	\$11,067,580.00

Note: Debtor estimates that a forced liquidation of assets would generate \$1.8 million federal and \$700,000 Oregon taxes.

<sup>1</sup> Cash includes net proceeds (approximately \$1.23 million) received from the sale of cattle and subsequently disbursed to ASL Claimants.

<sup>2</sup> Accounts receivable from NW Dairy Cooperative for milk and milk products delivered.

<sup>3</sup> Estimated liquidation values assume 1925 milk cows at \$1,400 per animal and 1752 heifers at \$700 per animal.

<sup>4</sup> Real property and improvements at the Salem Farm located at 22180 SE Lafayette Highway, owned by Pete DeHaan.

<sup>5</sup> Real property and improvements at the McMinnville Farm located in Yamhill County, Oregon owned by Pete DeHaan.

<sup>6</sup> Values based on estimated auction values.

<sup>7</sup> Investments; see breakdown of investments listed in Debtor's June 30, 2012 Financial Statement attached as Exhibit A.

<sup>8</sup> Life insurance; cash values of existing life insurance policies with Mass Mutual.