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IN THE UNITED STATES BANKRUPTCY COURT

DISTRICT OF UTAH, CENTRAL DIVISION

In re REVOLUTION DAIRY, LLC, In re HIGHLINE DAIRY, LLC, In re ROBERT and JUDITH KAY BLISS, dba BLISS DAIRY, Debtors.	Jointly Administered under Case No. 13-20770 (RKM) Chapter 11 **THIS DOCUMENT RELATES TO:** □ In re Revolution Dairy, LLC □ In re Highline Dairy, LLC □ In re Robert and Judith Bliss, dba Bliss Dairy ■ All Debtors

DISCLOSURE STATEMENT

FOR

AMENDED JOINT CHAPTER 11 PLAN DATED JULY 2, 2013

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EXHIBITS

Revolution Dairy, LLC ("**Revolution**"), Highline Dairy, LLC ("**Highline**"), and Robert and Judith Bliss ("**Bliss**") (collectively, the "**Debtors**") provide this disclosure statement (the "**Disclosure Statement**") to you in your capacity as a holder of a claim or as a party in interest in the above-captioned bankruptcy cases. The purpose of this Disclosure Statement is to provide information as may be necessary and appropriate to allow you to make an informed judgment about the Amended Joint Chapter 11 Plan, dated July 2, 2013 (the "**Plan**") filed by the Debtors which accompanies this Disclosure Statement. As required by § 1125 of the Bankruptcy Code, this Disclosure Statement has been presented to the Court, and, after notice and hearing, the Court has determined that it contains information adequate to meet this purpose.

INCORPORATION OF THE PLAN

This Disclosure Statement incorporates the defined terms of the Plan. Where there is a discrepancy between the Plan and this Disclosure Statement, the Plan is the controlling document. You are, therefore, strongly encouraged to read the Plan with this Disclosure Statement.

CONCEPT OF THE PLAN

The Debtors have separate dairy operations (and, in the case of Highline only, farming operations) and are distinct economic units. They, however, share in certain aspects of administration (e.g., they share a single administrative office, they split accounting and management costs, and they purchase feed, minerals, and nutrients together and then allocate costs between them as per actual use). Moreover, the debt obligations to their largest secured creditors (*i.e.*, MetLife and Rabo) are owed jointly and severally.

To effectively address the large joint and several debts, create better economies of scale, and eliminate administrative burdens, the Plan proposes that each of the Debtors transfer their dairy-and-farming-related assets to Bliss LLC (a new limited liability company) which will, in turn, assume the Debtors' secured and unsecured liabilities under the Plan. For Revolution and Highline (which only have dairy-and-farming-related assets and debts), the transfer of assets and assumption of liabilities is all-encompassing. Concerning Bliss, all assets will be transferred to Bliss LLC save the Bliss Personal Assets (identified in Schedule 9 of the Plan). Bliss LLC will, in turn, assume all Bliss Dairy Debts (i.e., all of Bliss' obligations save the Bliss Residence Mortgage). Bliss will additionally contribute over $22,000 in non-exempt cash on the Effective Date to Bliss LLC and will pay Bliss LLC $50,000 (under a note) representing the liquidation value of the Bliss Personal Assets that Bliss will retain.

Bliss LLC will continue the dairy operations of the Debtors and will maintain three milk production units that correspond with the pre-confirmation dairy operations of the Debtors (*i.e.*, the Revolution Unit, the Highline Unit, and the Bliss Unit). These unit designations are necessary to maintain reporting and production quotas under executory milk purchase agreements with DFA and IFS which will be assumed and assigned to Bliss LLC under the Plan. They may also be necessary for purposes of facility permits.

Bliss LLC will also continue Highline's farming operations which include leasing farmland and entering into annual harvesting and purchasing agreements with local forage producers. These farming operations are critical to the overall success of the Debtors (and Bliss LLC) as they facilitate the cheapest feed source for the dairy herd.

Except for obligation owed under the Bliss Residence Mortgage, all payments to holders of Allowed Claims (Secured and Unsecured) will be paid by Bliss LLC. The Bliss Residence Mortgage will be paid by Bliss from post-Confirmation income.

VOTING AND CONFIRMATION OBJECTIONS

A. Voting.

The Plan is proposed jointly by the Debtors and encompasses all three Debtors' estates. Classification of Claims is Debtor-by-Debtor as is voting. Confirmation requirements (including acceptance by classes) must be met as to each of the Debtors' estates. Under the Plan, all holders of Allowed Claims in an impaired class have the right to vote. You have been provided a ballot with respect to each class of each Debtors' estate in which you hold a Claim. You are encouraged to indicate your acceptance or rejection of the Plan on the enclosed ballot. A class of creditors will be deemed to have accepted the Plan if at least two-thirds in amount and more than one-half in number of the holders of Allowed Claims of the class (that actually vote) accept the Plan. If an objection to your Claim is filed prior to Confirmation, then your Claim will no longer be an

Allowed Claim and you will not have the right to vote. Nevertheless, under Bankruptcy Rule 3018, the Court, after notice and hearing, the Court may temporarily allow your Claim in an amount which the Court deems proper for the purpose of accepting or rejecting the Plan. If an objection to your Claim has been filed and you desire that your Claim be temporarily allowed for purposes of voting, you must take appropriate steps to obtain such relief.

B. Ballots.

To be counted, each ballot must be completed and delivered as noted in the instructions contained in the Ballot and in the Order Approving Disclosure Statement and Fixing Time for Filing Acceptances or Rejections of Plan Combined with Notice Thereof and Notice of Confirmation Hearing (the "**Confirmation Hearing Notice"**) which have been mailed to you with this Disclosure Statement.

C. Objections to the Plan.

You have the right to object to the Plan. The instructions and deadlines for filing an objection to confirmation of the Plan are set forth in the Confirmation Hearing Notice. Unless the Court determines otherwise, only those objections that are in writing and timely filed with the Court and served on the Debtors' counsel will be considered by the Court at the Confirmation Hearing.

HISTORY

Each of the three dairies, Revolution Dairy LLC, Highline Dairy LLC and Bliss Dairy (Robert E. Bliss dba Bliss Dairy) were started by Robert E. Bliss (hereafter Bob

Bliss). Bob Bliss owns 100% of Bliss Dairy, 12.5% of Revolution Dairy LLC and 50% of Highline Dairy LLC. All of the other owners of Revolution Diary LLC and Highline Dairy LLC are Bob & Judith Bliss' sons – Tim Bliss, Michael Bliss and Justin Bliss. The Dairies are truly a family operation, which were each and all envisioned, built, and managed from conception to operation by the Bliss family.

Robert E. Bliss (Bob Bliss), who is now 68 years old, started in the dairy business by working in his father and uncle's dairy in Cypress California when he was 12 years old. Eventually the family moved to Arizona, and thereafter another Dairy was purchased by Debtor's father. Eventually Robert Bliss took over full and sole management of his father's dairy.

In 1972 Robert Bliss bought his first dairy in Tolleson, Arizona at the age of 27. Robert became a leading innovator in developing concepts and techniques to increase cow comfort and milk parlor efficiencies and, in some years between 1972 and 1979, had the top-producing herd in Arizona.

In 1979 developments and changes associated with the Salt River Project necessitated relocating dairy operations. Robert moved his dairy operations to Payson, Utah, where his sons began to take active roles in operations. In Payson, the lack of available space limited growth. To expand, Robert was required to relocate. In 1984, the Payson dairy was sold, and Robert purchased a 600-cow facility on 50 acres near

Stephenville, Texas, an area recognized as a profitable dairy location. Sons, Mike and Tim, were in high school at the time.

The Payson dairy was sold for a small down payment and promise of a large balloon payment in three months. Robert never received the balloon payment as the buyer filed for bankruptcy, and the lending bank repossessed the dairy and all of its assets except a single front-end loader.

Because Robert had not received the funds from the Payson dairy and did not have the necessary operating capital to start up the Texas dairy, he had to lease out the Texas dairy. Robert began working for other dairies to make a living. With investment help, Robert experimented with, developed, built, and put into operation a portable machine to steamroll grain. Robert and his family operated their custom steam-rolled oat machine for two years, and made enough, together with the eventual sale of the machine, to buy 70 cows.

At about this same time, the leasee of Robert's Texas dairy was preparing to move on to another location, so Robert and his sons turned their full attention to developing and renovating their Texas dairy. The dairy herd size was doubled. Mike Bliss went to college at Utah State University ("**USU**") to further develop the family's dairy herd management knowledge. On March 17, 1989, Robert moved his family to the Texas dairy and increased the herd size to 650 cows. Between 1988 and 1996, the Bliss dairy in Texas received several awards for high milk production. In 1996, Tim Bliss graduated from USU with a degree in business and ag business and a minor in dairy management.

By 1996, the Stephenville, Texas area had become saturated with dairies and feed was becoming scarce and expensive. The Texas dairy was also hit by a tornado. The Bliss family decided to relocate to Delta, Utah to continue their dairy business. Mike Bliss went first in 1997 and found suitable land for building a dairy. They bought two small herds and Mike milked them in Delta, renting space on an existing dairy. In August 1997 Robert & Judith Bliss moved to Delta, Utah. Rob and Tim Bliss stayed in Texas to continue the Texas dairy operations while Robert Bliss attended Texas A&M. Justin Bliss attended USU for a time, studying dairy management and then attended a computer networking school before joining the family dairy building effort in Delta, Utah.

Robert and his sons designed a modern and efficient rotary Dairy operation and, in 1999, began constructing what is now the Bliss dairy milking parlor and corrals. The Bliss family did all the construction work themselves, except for cement, brick work and electrical. On January 6, 2000, the Bliss Dairy began milking cows in the first modern rotary milking parlor in the State of Utah. The modern and innovative Bliss dairy quickly exceeded all of the Bliss family’s previous successes and achievements in production, income, cull-rate, and cow comfort. By 2001, the Bliss Dairy herd increased to 1500 cows. Success brought ambition for expansion.

In 2001, construction began on Revolution dairy, and Robert and Judith's sons Mike, Tim, Justin and Nate were all involved with the construction of Revolution dairy and the operation of Bliss dairy. The Texas dairy was sold on contract. Sons, Robert Bliss and Justin Bliss, managed the cows moved from Texas on a rented dairy until Revolution was completed.

Revolution was finished in December of 2002. During the next few years it was populated with 2800-3000 dairy cows. By 2008, the cows and the feed innovations on Bliss dairy were completely paid off. Revolution dairy was in good financial condition. And Robert and Judith had approximately one million dollars in the bank.

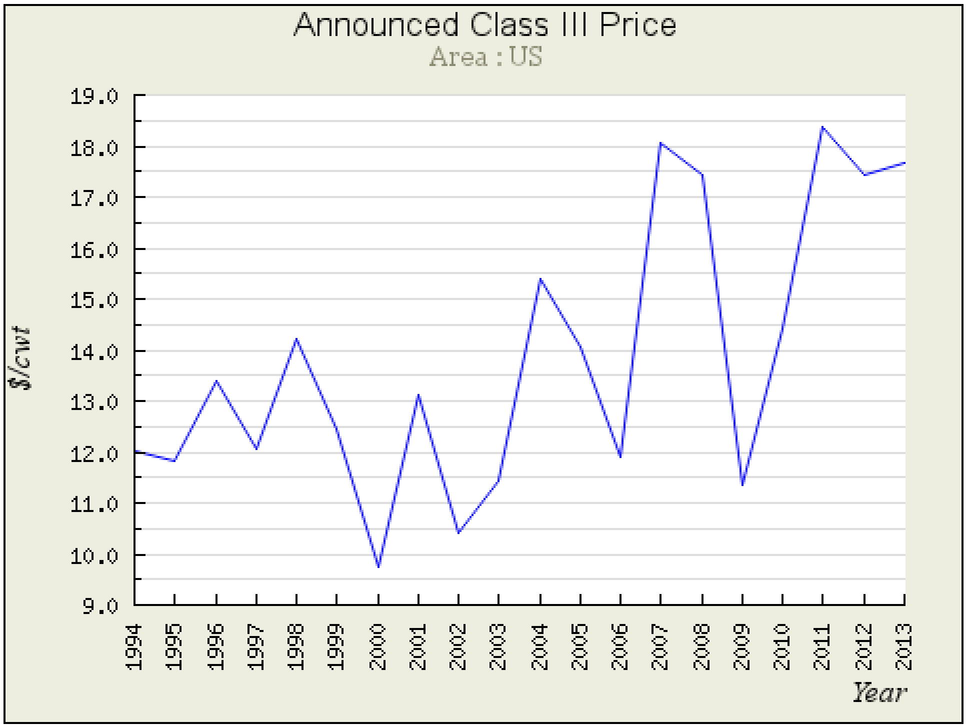
EVENTS LEADING TO BANKRUPTCY

The Debtors' bankruptcy filing are the result of rapid expansion of the dairies' operations, after 2008, coinciding with an unprecedented and prolonged general downturn in the dairy industry caused by the rapid rise of feed costs (primarily corn and hay) resulting from competition for limited corn supplies (primarily from ethanol producers) and subsequently in 2011 and 2012 from drought in the grain belt of the United States. Nationally, and in Utah, prices paid dairy farmers for their milk did not keep up with the rapid rising feed costs, and this dislocation of the ratio between feed costs and milk prices generally continued between 2008 and 2013 with a brief respite between October 2009 and March 2011. Included below are charts published by the

United States Department of Agriculture (the "**USDA**"), Kansas State University, and the University of Wisconsin demonstrating the foregoing.

In 2008, the dairies were only two (Bliss and Revolution) which combined were milking approximately 4,500 cows. The average price of milk that year was approximately $17.50/cwt. The average price of corn (a major feed component) was approximately $4.30 per bushel. In 2008 to early 2009, the Bliss family expanded by building the Highline dairy with the anticipation of milking an additional 4,000 cows at that location. The cows were also acquired during this time period. However, by 2009 the average national milk price had dropped to $11.50 per hundred weight without a proportionate decrease in feed costs. To the contrary, feed costs, as indicated by the price of corn, continued to increase until 2012 when the average cost per bushel of corn was more than $7.00. The following charts demonstrate price histories for milk and corn during the relevant time period.

MILK PRICES


Announced Class III Price
Area : US
$/cwt
19.0
18.0
17.0
16.0
15.0
14.0
13.0
12.0
11.0
10.0
9.0
1994
1995
1996
1997
1998
1999
2000
2001
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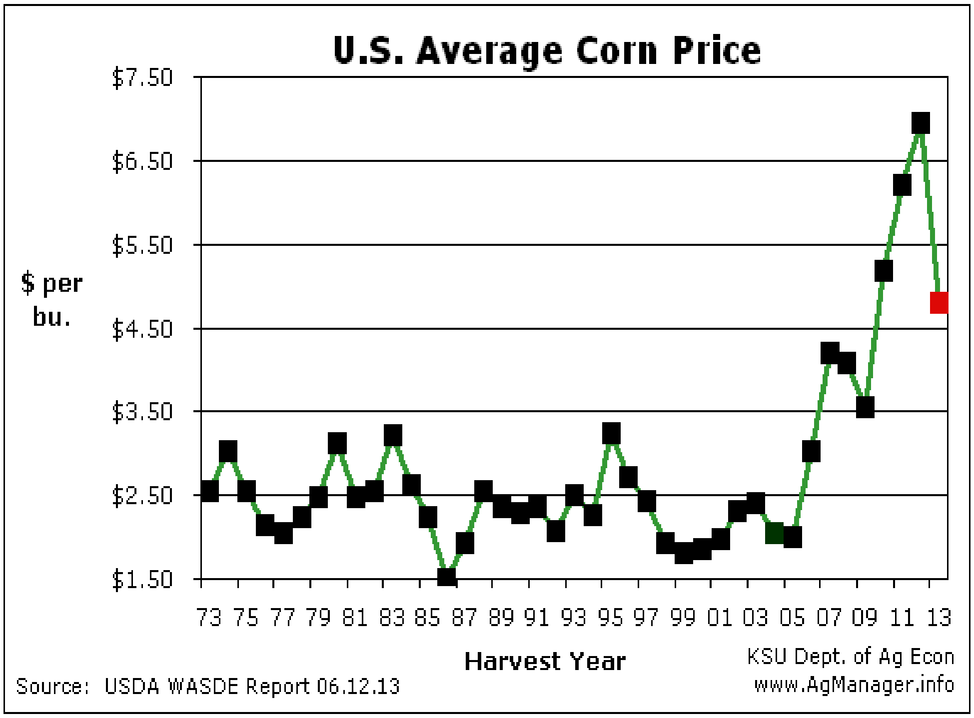
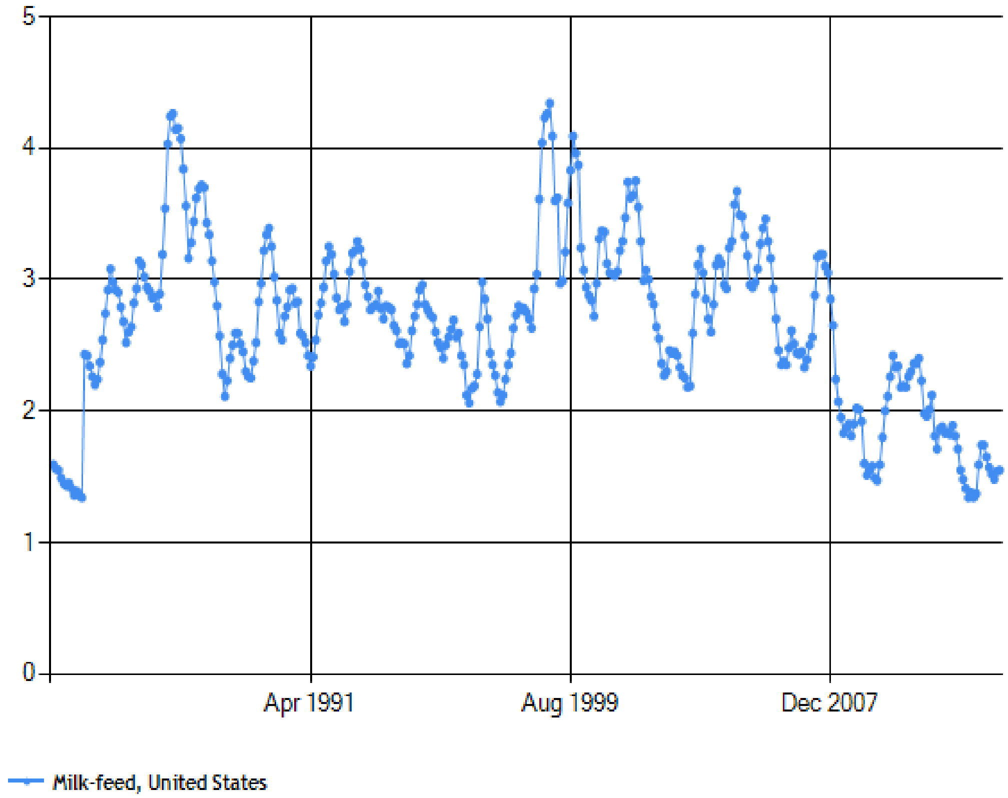
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
Year

CORN PRICES



Corn is only one component of a dairy cow's typical daily ration. The relationship between total feed costs and milk prices is of vital importance to any dairy operation and is tracked by the USDA. USDA publishes a historical graph showing this relationship over the last 30 years. Generally and historically, dairy farms have, on average, received for their milk more than twice the cost of the feed necessary to produce it. The relationship between feed costs and milk prices is called the "milk feed ratio."



As can be seen from the foregoing graph, the ratio between milk prices and feed costs has been below historic averages since 2008. This has caused great economic stress for dairy farmers generally and specifically for the Debtors.

In 2008, having no foreknowledge of the coming years of increased competition from ethanol manufacturers for limited corn supplies or the years of nationwide drought in 2010 and 2011, the Bliss family undertook to double their dairy operations by building the Highline dairy. Funds for this expansion were provided by Wells Fargo Bank and MetLife. In July 2010, Rabo refinanced the Debtors' operations and took over from Wells Fargo Bank as the Debtors' operational lender. In late 2011 and early 2012, Rabo announced its intention to require the Debtors to make large payments towards principal reduction of the outstanding loan and restricted the Debtors' access to their line of credit such that the Debtors were unable to make purchases necessary for proper operation. Faced with financial demands from Rabo, which the Debtors felt they could not meet without further compromising continued operations, management decided to file chapter 11 bankruptcies for each of the three Debtors (Bliss, Revolution and Highline), which occurred on January 27, 2013.

POST-FILING OPERATIONS

After this bankruptcy case began, milk prices have continued to improve and corn prices have fallen. Future corn prices are expected to fall dramatically in late summer and fall as the 2013 corn harvest nears. As of July 1, 2014, the USDA projects the average price of 2013 corn to be between $4.40 per bushel and $5.20 per bushel. Similarly, milk prices have been better since the beginning of this bankruptcy in comparison to the prior three years. A comparative graph of milk prices prepared by the USDA demonstrates this point.

For the first months of the bankruptcy, the Debtors continued to lose money on an accrual basis. This is due to several transient factors: (1) the milk feed ratio remained unfavorable during the first and second quarters of 2013 reaching a low of 1.48 in March; (2) the winter months of January and February were unusually cold (temperatures dropped below zero for extended periods of time) which adversely affected milk production (cold cows use their energy to produce body heat, instead of milk); and (3) legal fees and court costs incident to the debtors' bankruptcy have been substantial (estimated at least $1,000,000.00 – for all of the lawyers involved – representing both creditors and the Debtors).

On the other hand, several positive changes and circumstances in operations have occurred:

1. <u>Diversification of Milk Customers</u>. The dairies have diversified their milk customers. Highline and Bliss left the Dairy Farmers of America Co-op ("**DFA**") and began to sell their milk to Innovative Food Solutions ("**IFS**"). In 2012, IFS paid more for milk than did DFA. So far this year, the roles have reversed and DFA has paid more than IFS. All production of Bliss and Highline is sold to IFS and all of Revolution's production is sold to DFA. The individual Debtors intend to assume their respective milk sales contracts with IFS and DFA.

2. <u>Reduction in Employees</u>: The Debtors' combined operations reduced employees by six, saving approximately $12,000.00/month.

3. <u>Increase in Production</u>: The dairies' combined average daily milk production per cow has increased from a February low of 64.1 pounds per day to 78.3 at present. Average production for the last week of June 23, 2013 were: Bliss 84.7, Revolution 80.3, and Highline 74.2. Dairy management has taken steps to address Highline's relatively low average production rates as explained more fully below.

4. Renegotiation of Equipment Leases: Many equipment leases have been voluntarily renegotiated so as to decrease the cash flow demands on the Debtors. Typically, the terms have been extended to five years with an interest rate of 5.5%. With respect to those equipment lessors that have not yet reached voluntary terms with the Debtors, the plan provides for similar extension of terms.

5. Corn Grinding: Historically, the Debtors have purchased rolled steamed corn as the major feed component. But since June 2013, the Debtors have switched to finely ground corn which they grind themselves at a shared grinding facility. This has saved the Debtors approximately $10,000/month without adverse affect on milk production.

6. Competitive Feed Pricing: In March 2013, the Debtors began to aggressively shop for the best prices for the feed commodities. They were successful in adding feed vendors. Notably, the Debtors were successful in adding Archer Daniels Midland to the Debtors' vendors' list resulting in substantial savings—at times exceeding 8% on some commodities over prices offered by the Debtors' traditional vendors.

7. Advance Feed Contracts: During this bankruptcy case, the Debtors have been successful in obtaining favorable pricing and terms from forage farmers and other farmers by utilizing Advance Feed Contracts. Forage is a major component for the dairies' feed ration. Annually, the Debtors use approximately 58,000 tons of forage. In 2012 (the year immediately preceding bankruptcy), the dairies paid silage farmers

approximately $37.00 per "wet ton."[1] The cost of silage to the Debtors for the 2013 harvest year is expected to be much less according to the following table included in each of the Advance Feed Contracts:

BLISS DAIRY CORN SILAGE WORKSHEET 2013

Avg/month Sep of Corn/bushel @ Delta Egg Farm

Price/bushel	Price/ Dry Ton	Price/ 30% Dry Ton
7.50	$150.00	$45.00
7.40	$148.00	$44.40
7.30	$146.00	$43.80
7.20	$144.00	$43.20
7.10	$142.00	$42.60
7.00	$140.00	$42.00
6.90	$138.00	$41.40
6.80	$136.00	$40.80
6.70	$134.00	$40.20
6.60	$132.00	$39.60
6.50	$130.00	$39.00
6.40	$128.00	$38.40
6.30	$126.00	$37.80
6.20	$124.00	$37.20
6.10	$122.00	$36.60
6.00	$120.00	$36.00
5.90	$118.00	$35.40
5.80	$116.00	$34.80
5.70	$114.00	$34.20
5.60	$112.00	$33.60
5.50	$110.00	$33.00
5.40	$108.00	$32.40
5.30	$106.00	$31.80
5.20	$104.00	$31.20
5.10	$102.00	$30.60
5.00	$100.00	$30.00
4.90	$98.00	$29.40
4.80	$96.00	$28.80
4.70	$94.00	$28.20
4.60	$92.00	$27.60
4.50	$90.00	$27.00

[1] A "wet ton" is the weight of the silage as it is harvested from the field as opposed to a "dry ton" which references the feed material excluding water content.

The price referenced in the table is defined in the Advance Feed Contracts as: "Price for corn silage will be determined on October 1, 2013 and shall be equal to the average price paid by the Delta Egg Farm for feed corn during the month of September converted to the price per dry ton according to the following conversion table." If, for example, the price for feed corn were to drop to $5.20 per bushel, as estimated by the USDA, the Debtors would pay $31.20 per wet ton which will translate into substantial savings in comparison to the previous year (approximately $300,000.00 in savings).

8. National and Local Milk Consumption: Demand for milk in the Intermountain West has increased due to the requirements of two large yogurt factories – Dannon in Midvale, Utah and Chobani in Twin Falls, Idaho. On June 27, 2013, Rabo published a press release stating the views of its "Food & Agribusiness Research and Advisory team" that, "[a]s a substantial reduction in commodity feed prices is expected when Northern Hemisphere crops are harvested in the fall, Rabobank expects dairy margins to be positive in most regions by Q4 2013." (http://finance.yahoo.com/news/rabobank-report-global-dairy-industry-202400670.html).

9. Dr. Robert Corbett: The Debtors have hired Dr. Robert Corbett, who is an internationally recognized expert on dairy operations. Dr. Corbett has provided a list of cost effective adjustments to implement for the Highline dairy herd which are expected to increase milk production of that herd. These changes will help increase milk production of the Revolution and Bliss herds. Dr. Corbett's report is attached hereto as Exhibit A. In

summary, Highline Dairy's 4,164 cows are expected to increase milk production by approximately 10% over the next nine months attributable to better handling of the "transition period" for heifers and dry cows into the active milking herd.

10. Financing of Forage Inventories: The Debtors require on a combined basis the following forages in the following quantities annually:

Silage				
	Tons	**Cost/Ton**	**Total**	
Corn Silage	37000	$32.40	$1,198,800.00	
Barlage	4300	$90.00	$387,000.00	
Haylage	4000	$160.00	$640,000.00	
			$2,225,800.00	**Subtotal**
Hay				
	Tons	**Cost/Ton**	**Total**	
Dairy Hay (RFV>180)	15000	$220.00	$3,300,000.00	
Dry Cow Hay	1000	$160.00	$160,000.00	
Oat Hay	1000	$140.00	$140,000.00	
			$3,600,000	**Subtotal**
Earlage				
	Tons	**Cost/Ton**	**Total**	
	8000	$195.00	**$1,560,000.00**	**Subtotal**
	Grand Total Forage Costs		**$7,283,400.00**	

Since this bankruptcy case began, many of the dairies' forage suppliers (local farmers) have granted favorable payment terms for forage (hay and silage) to be provided to the Debtors. These terms are generally reflected in the Advance Feed Contracts discussed previously. In general, the Debtors make modest down payments on forage crops in the months of April, May, June, July and August (prior to harvest) and are allowed to pay the purchase price balance over five months after harvest (October through February). The dairies also have historically relied and continue to rely on Jud Harward to supply a substantial portion of the Debtors' baled hay requirements for which the Debtors shall pay on an as-needed basis after baled hay inventories are exhausted. Of the 15,000 tons of baled hay required by the Debtors annually, Jud Harward has agreed to provide at least 6,000 tons on an as-needed basis beginning December 2013 and continuing through June 2014, when the new hay crop will begin to be harvested. The Debtors' *pro forma* budgets assume these important vendor relationships will continue.

BUDGET FORECAST

The cash flow projection attached to the Plan as Schedule 1 is premised on several major assumptions (some of which have been discussed previously), including the following:

1. Milk Production per Cow will Increase: Bliss dairy's average milk production per cow per day has been and remains among the highest in the state – more than 83 lbs/cow/day. Revolution Dairy's production, at 78.5 lbs/cow/day, is consistent with high producing dairies in the state of Utah. Highline Dairy's per cow production, approximately 73.5 lbs/cow/day, is less than the other dairies but is consistent with Utah state averages. There is room for improvement at both Revolution and Highline dairies. The steps necessary to improve have been identified as explained in Dr. Corbett's report. Dairy cow daily production is affected by many factors, including: seasonality, weather, feed ration formulation, genetics, herd average days in milk ("**DIM**"), cow comfort, a

cow's social status within the herd, reproduction and lactation cycle management, the number of times the cow is milked per day (two versus three), proper implementation of feed supplement regimen at appropriate times during the cow's reproductive cycle, overcrowding, and length of the transition period. In the year preceding bankruptcy, the Debtors were forced to make management decisions for the short term benefit of Rabo to the long-term detriment of operations such as: foregoing purchases of replacement heifers, selling otherwise profitable cattle, shortening the transition period for replacement heifers purchased from brokers, and reformulating feed rations to meet Rabo's accelerating repayment demands. All of these decisions, while providing additional short-term cash benefits require a full lactation cycle (approximately 13 months) to correct. Management is focused on rectifying and correcting the short term cash starved management style that was eroding long and short term milk production. Management believes that production at Highline and Revolution Dairies will improve over the next nine months. Nevertheless, the average daily milk production for purposes of budgetary projections never exceeds 78 pounds per cow per day during the remainder of 2013. This milk production estimate is deemed conservative by dairy management. Similarly, the budget forecasts for 2014 assumes average daily milk production between 75 and 80 pounds per day, which dairy management also deems conservative.

2. Increased Herd Size: The budget anticipates increasing the combined herd by approximately 650 cows over the next 18 months to take advantage of the economies

of scale for which Revolution and Highline dairies were designed and built. Variable costs will increase with the increase of the herd (supplies, veterinary charges and feed costs, etc.) but the large fixed investment in plant and equipment will be better utilized, resulting in an overall lower break-even price per cwt (hundred weight) of milk.

3. Cost of Feed will Fall as a Percent of Production Costs: Management expects feed prices to fall primarily for the following reasons: on June 28, 2013, the USDA reported that United States farmers planted 97.4 million acres of corn—more acres than at any time since 1936. The expansive drought affecting the Midwest in 2011 and 2012 has not continued in 2013. On the other hand, hay prices in Utah and Idaho remain high due to drought conditions and strong international demand for hay. The Debtors' combined budget forecast assumes hay prices will remain high at $220 per ton, but that corn and related feed commodities (distiller's dried grain ("**DDG**"), soy and canola) will decrease as forecasted by the USDA. The Debtors have managed to acquire a few thousand tons of hay at $200 per ton or less but all of the 6,000 tons of hay to be acquired from Jud Harward will cost of $220 per ton. As recently as 2010, dairy quality hay was selling at $120 per ton, according to the USDA National Agriculture Statistics Service. The Debtors expect that hay prices will eventually fall from their present historic highs. If this occurs, the historically favorable milk feed ratios may return. In general, dairy management expects the milk feed ratio to correct and resume a more usual ratio above "2.0" (price of milk/total feed costs per cwt). But the budget is premised on a

conservative estimate that the dairies' individual milk feed cost ratio will remain, on average, at 1.75. If the ratio were to improve to something around 2.5 (not an unprecedented ratio), the dairies would be very much more profitable than predicted in the budget forecasts upon which the Plan is premised.

POST-CONFIRMATION MANAGEMENT

Bliss LLC will be managed by the Debtors' current management. The duties of the current management (which will continue with Bliss LLC) are as follows:

Robert Bliss

Robert Bliss is the patriarch of the Bliss family and works with sons Mike, Tim, Justin, and Nate, at each of the dairies as a consultant and labor as necessary. He helps with heifer purchasing by picking out heifers and transporting them to the dairies. He works with the local farmers and helps procure feed. He spends time with financial consultants. He reviews the performance and conditions of each dairy and helps each improve the same by doing whatever may be needed at the time. Robert Bliss' dairy herd management skills have succeeded in creating one of the highest milk production per cow dairies in the State of Utah, and in every other state he has managed a dairy herd. Robert Bliss advised all diaries on herd management.

Mike Bliss

Mike Bliss manages Highline dairy and oversees 28 employees, 20 milkers, 3 feeders, and 5 other outside employees. He manages the milking of 3300 cows three times per day with shifts starting at 5 a. m., 1 p.m., and 9 p.m. Each shift lasts 7.5 to 8 hours. Mike has regular meetings with all milkers to review performance and procedures; monitors feeding of all cows including feed intake and accuracy and discusses with Jed Southwick (the Debtors' nutritionist) the rations to feed; monitors the hospital, transition cows, and overall condition of all animals in the herd; removes unprofitable cows from the herd by culling them based on milk price vs cost of feed and cow condition, performance, and pregnancy; and attends regular meetings with all owners to discuss individual dairy performance, possible problems and solutions. Mike is on call to handle any technical problems at the Highline dairy 24 hours a day and at the Bliss and Revolution dairies when others are not available. Mike also oversees the Debtors' shop employees which consists of 2 mechanics and 1 repair and maintenance person. They handle most of the building and repairs of equipment, corrals, etc.

<u>Tim Bliss</u>

Tim Bliss is General Manager over all three dairies. All other management report to Tim. Tim works with the office staff preparing budgets, paying bills, checking inventories, etc. Tim works with the lawyers, accountants, and bankers to make the management decisions needed to meet long- and short-term goals. He makes the everyday decisions for each of the dairies. Tim lines up the purchase of replacement heifers for each of the dairies and works with Trent Lovell and Jud Harward on the purchase of forages for the coming year. He also works on finding more affordable grain suppliers.

Justin Bliss

Justin Bliss manages Revolution dairy and oversees 25 employees, 15 milkers, 2 feeders, and 8 other outside employees. He manages the milking of 2250 cows three times per day with shifts starting at 6 a.m., 2 p.m., and 10 p.m. Each shift lasts 7.5 to 8 hours. Justin has regular meetings with all milkers to review performance and procedures; monitors feeding of all cows including feed intake and accuracy and discusses with Jed Southwick (the Debtors' nutritionist) the rations to feed; monitors the hospital and transition cows, and overall condition of all animals in the herd as well as the breeding program; removes unprofitable cows from the herd by culling them based on milk price versus cost of feed and cow condition, performance and pregnancy; and attends regular meetings with all owners to discuss individual dairy performance, possible problems and solutions. Justin is on call to handle any technical problems at Revolution dairy 24 hours a day. Justin also does all the computer networking and computer support on all three dairies. Justin calculates the number of heifers needed in coming months for scheduling purchases.

Nate Bliss

Nate Bliss manages Bliss dairy and oversees 17 employees, 11 milkers, 2 feeders, and 4 other outside employee. He manages the milking of 1270 cows three times per day shifts starting at 5 a.m., 1 p.m., and 9 p.m. Each shift lasts 7.5 to 8 hours. Nate has regular meetings with all milkers to review performance and procedures; monitors feeding of all cows including feed intake and accuracy and discusses with Jed Southwick (the Debtors' nutritionist) the rations to feed; monitors the hospital and transition cows and overall condition of all animals in the herd; removes unprofitable cows from the herd by culling them based on milk price versus cost of feed and cow condition and performance and pregnancy; and attends regular meetings with the owners to discuss individual dairy performance, possible problems and solutions. Nate is on call to handle any technical problems on Bliss dairy 24 hours a day. He also handles the cull cows from all three dairies, lining up hauling and selling.

Others

In addition to the foregoing, the following persons will serve in management: Richard Turner, CPA, as office manager and accountant. Trent Lovell as the Vice President of Forage Procurement and Farming Operations. Chris Garnier, CPA, of the firm of Genske Mulder, LLC, as outside independent accountant. Sandra Lister as bookkeeper. And Dr. Robert Corbett as a herd management consultant.

INSIDER COMPENSATION

Until the Allowed Claims of all unsecured creditors have been paid in full, monthly compensation to management, who are also members of the Bliss family, shall be limited as follows: Robert Bliss, $5,000.00 per month; Tim Bliss, $6,700.00 per month; Michael Bliss, $6,700.00; Justin Bliss, $6,700.00 per month; Nate Bliss, $6,700.00 per month.

PROPOSED TREATMENT OF SECURED CLAIMS

Each holder of a Secured Claim is classified in its own class. Except for the class comprising the Bliss Residence Mortgage (which is not modified and will be paid by Bliss from post-Confirmation earnings), treatment consists of modification of Pre-Petition payment obligations (primarily as to term and interest rate), execution of a new note by Bliss LLC evidencing the modified obligation, and retention of Pre-Petition liens. Payments and default rights will be governed by the terms of the new notes which may include some (but not all) of the holder's Pre-Petition contract terms.

The feasibility of the Plan hinges on the Debtors' ability to modify their dairy-and-farm-related secured debt pursuant to agreement or, alternatively, in a fair and equitable manner consistent with the "cram-down" provisions § 1129(b). The Debtors propose to modify the terms for repayment of over $34,000,000 in Secured Claims in manner that will allow the Debtors' (through Bliss LLC) to have manageable monthly payments which will, in turn, permit the Debtors (through Bliss LLC) to pay Unsecured Claims in full over the Plan Term (*i.e.*, five years after the Effective Date).

The value of the major Secured Claims (i.e., those of MetLife, Rabo, Delta, IFA, and Western Ag) is disputed. Before the Confirmation Hearing (or in conjunction therewith), the Debtors will either agree with these creditors on a value or seek the

Court's assistance to determine such values pursuant to valuation motions under Bankruptcy Rule.

The Debtors contend that the Secured Claims of each of the aforementioned creditors are undersecured under § 506(a) (i.e., their debt against each individual Debtor is greater than the Debtor's estate's interest in the collateral).

Pursuant to rulings on cash collateral motions, the Court has opined (but has not ordered) that, for purposes of determining the Secured Claims of MetLife and Rabo under any plan filed by the Debtors, the Debtors would be required to allocate MetLife's and Rabo's joint and several debt between the estates and that, based upon such allocation, MetLife's and Rabo's Secured Claims would be oversecured. The Plan does not allocate the Secured Claims of MetLife and Rabo among the Debtors' estates. But the Debtors believe it is likely that the Court (in the context of a motion to value the Secured Claims) will determine that MetLife's and Rabo's Secured Claims must be treated as oversecured Secured Claims under § 506(a).

Assuming that the Court makes a final determination consistent with the foregoing (which the Debtors expect), MetLife and Rabo will have the right, under § 506(b) to augment their Secured Claims with reasonable costs and fees (including attorneys' fees) as may be provided under the agreements supporting their respective liens.

The issues under § 506(b) for MetLife and Rabo are similar—namely, whether default interest will be permitted (18% for MetLife and 7.9% for Rabo) and the amount of fees that may be allowed. An additional issue involving MetLife is whether the Court will allow a “prepayment premium” provided for under MetLife’s loan agreements of approximately $1,515,000 that was triggered upon default.

The Court has not specifically opined whether the Secured Claims of Delta, IFA, and WAC fall under the same allocation analysis discussed by the Court for MetLife and Rabo. Delta does not have joint and several obligations (although it has asserted to have them in its proof of claim). And IFA’s lien is junior to Delta. WAC appears to be senior to all other secured claims in livestock collateral but has been unable to tell which of the Debtors holds its collateral, and its lien claim is currently the subject of a pending adversary proceeding. Accordingly, it is unclear (at least to the Debtors) how the Court may be inclined to rule on the value of their Secured Claims under § 506(a).

The respective rights of Delta, IFA, and WAC to augment their Secured Claims (or, perhaps, whether they even have Secured Claims) must await settlement or a final determination by the Court on valuation motions under Bankruptcy Rule 3012. If determined to be oversecured, the issues under § 506(b) will include the allowance of post-petition interest at claimed default rates and reasonable fees.

The treatment of other Secured Claims (whose liens are primarily purchase money security interests secured by specific equipment collateral) is set forth in the Plan. The Plan generally treats such creditors as having oversecured secured claims and estimates post-petition interest and fees allowable under § 506(b). Exhibit B sets forth the timing and effect of payments to secured creditors, along with other plan payments.

PROPOSED TREATMENT OF UNSECURED CREDITORS

Unsecured Claims are in three classes: (1) claims for goods received by the Debtors within 20 days of the Petition Date which were sold to the Debtors in the ordinary course of the Debtors' business; (2) claims for forage supplied to the Debtors which are held by creditors who have agreed to sell additional forage to Bliss LLC in 2014; and (3) all other claims. The Plan proposes payment in full of each of these classes but in different time frames.

Payments to the first of these classes is within five (5) months of the Effective Date. This accelerated payment schedule is in recognition of the rights of holders within this class to obtain payment of their claim as Administrative Expenses under § 503(b)(9).

Payments to the second of these classes acknowledges the critical importance (*i.e.*, critical vendor status) of local forage providers to the success of the Debtors' reorganization efforts and, therefore, proposes payment over twenty-four (24) months to those creditors who commit to supply forage to Bliss LLC in 2014.

The third category of general unsecured creditors will receive payment in full with Plan Interest over five years. Payments of $195,175 will be made three times a year with the first payment on December 31, 2013, and subsequent payments on May 31 and

September 30 of each year until paid in full. The last payment will be on September 30, 2018.

PROPOSED TREATMENT OF PRIORITY CLAIMS

Some unsecured claims enjoy priority payment under the Bankruptcy Code (whether in chapter 11 or chapter 7). These include: administrative expenses incurred in the chapter 11 case (e.g., professional fees, unpaid operating expenses, etc.), taxes, wage claims, and fees owing to the United States Trustee. Under the Plan (and in conformance with the requirements of § 1129(a) of the Bankruptcy Code), unless otherwise agreed, these priority claims are to be paid in full at Confirmation from or as soon as the Claims are Allowed by the Court.

ENVIRONMENTAL ISSUES

The Debtors have, and continue, to operate in compliance with Utah's Concentrated Animal Feed Operations ("**CAFO**") guidelines and hold conditional Animal Feedlot Operations use permits from Millard County allowing for a total of 11,200 animals (2,200 at the Bliss dairy facility; 4,000 at the Revolution dairy facilities, and 5,000 at the Highline dairy facilities). Each of the Debtors is further in compliance with Utah wastewater permits issued for their respective facilities. Since the applicable permits are "facility specific," the Debtors do not anticipate issues arising from the ownership change from the Debtors to Bliss LLC.

EXECUTORY CONTRACTS AND LEASES

A list of executory contracts and leases of the Debtor is attached to the Plan as Schedule 8. This list includes those leases that have already been assumed by motion and indicates the Debtors' intention with respect to assumption and rejection under the Plan. The Plan rejects all executory contracts not identified. The Plan also identifies post-petition land leases that will be assigned to Bliss LLC.

TAX CONSEQUENCES OF THE PLAN

The most common tax consequence of confirmation of a plan arises from the discharge. Pursuant to § 1141(d) of the Bankruptcy Code, Confirmation will result in a discharge of all pre-Confirmation debts. This discharge may result in tax deductions for each holder of a Claim that is discharged. The Debtor encourages each holder of Claim to consult its own tax advisor for specifics.

As to the Debtor, the tax consequences of the Plan are minimal. Outside of bankruptcy, a discharge or cancellation of debt can result in a taxable gain. But under § 108 of the Internal Revenue Code, a discharge under Title 11 is not a taxable event. The debt discharge amount which is not income under § 108, however, must generally be used to reduce the following "tax attributes" of the taxpayer debtor in the order listed: (1) net operating losses and carryovers, (2) carryovers of the general business credit, (3) minimum tax credit, (4) capital losses and carryovers, (5) the basis of the debtor's assets (both depreciable and nondepreciable), (6) passive activity loss and credit carryovers, and (7) carryovers of the foreign tax credit.

Since the Debtors and Bliss LLC are limited liability companies, the tax consequences of the Plan and post-Confirmation operations flow through to the members. The proposed members of Bliss LLC were members of the Debtors and have significant operating losses from prior years. The tax consequences to members of Bliss LLC arising from the prospective post-Confirmation profits of Bliss LLC may, thus, be substantially absorbed by prior year's losses. To the extent that they are not absorbed and members of Bliss LLC must recognize income and pay taxes, the Plan authorizes limited distributions to members to pay such taxes.

LIQUIDATION ANALYSIS

As reflected in Exhibit C, liquidation of each of the Debtors, without additional litigation, would likely not allow for any recovery to holders of Unsecured Claims.

To properly analyze Exhibit C, one must first understand the nature and values of each of the Debtors' assets. As of the end of August 2013, each of the Debtors is predicted to own a certain number of milking cows and other bovines. Those animals are each valued at $1,100 per head, which is the presumed price a liquidator would pay for the animals. Feed, grain, and related assets are valued at their book value (acquisition cost), then discounted 20% for the cost associated with loading, moving, and selling the inventory to another entity. Cash & Receivables are calculated by examining each

Debtor's projected cash on August 31, 2013, then adding ½ of the projected milk check to be received in September as an August receivable. Equipment is valued using the liquidation values prepared by appraiser Rob Olson, with additional discounts taken for costs of sale and exemptions of Bliss' personal assets. Crop input identifies the value of growing crops expected to be on hand on August 31, 2013. Real property is listed at the values derived by appraisers at Free & Associates, but then discounted to account for a likely distressed sale. The sum of these numbers gives a total asset value for each of the separate Debtors.

MetLife, WAC, Rabo, Delta and IFA each assert joint and several liability on their respective claims. While some or all of the Debtors may disagree at least as to the joint and several status of some of these claims, litigation would be required to avoid the asserted joint and several liability. If the MetLife, WAC, and Rabo claims are all truly joint and several liabilities, then there would be no equity above the liens of those three entities to pay either junior secured or unsecured creditors, particularly after MetLife, as an oversecured secured creditor, is allowed to add in its post-petition interest, costs, and legal fees, which drive its claim to approximately $12,880,000.

As a more specific alternative to the liquidation analysis in Exhibit B, the Debtors have prepared an alternative liquidation analysis that assumes the results of certain items of litigation against various secured creditors. For instance, Revolution believes that it holds a strong claim against MetLife for a constructively fraudulent transfer. Specifically, at one time MetLife held three separate debts owed by each of the respective Debtors. The Debtors entered into negotiations to refinance the indebtedness. MetLife insisted that all the Debtors be jointly and severally liable for the new credit, but none of the proceeds of that new credit flowed to Revolution. Instead, the proceeds were used to retire old notes made separately by Highline and Bliss. Because the proceeds of the new note did not flow to Revolution, but Revolution was obligated on the new note and received no consideration for its obligation thereunder, Revolution believes it could succeed on a fraudulent transfer claim against MetLife. If successful, as reflected on Exhibit B, Revolution would continue to be liable for its original note, but it would avoid liability on the joint note, which would then be allocated only between Highline and Bliss. But even this alternative analysis would leave no equity in the Revolution's assets to benefit other secured creditors, especially because the value of the avoided lien would be preserved for the benefit of unsecured creditors.

Unsecured creditors of Revolution would benefit from an avoidance action against MetLife, because the value of MetLife's lien would be preserved for their benefit, after payment of chapter 7 and chapter 11 administrative expenses,[2] litigation costs and trustee's fees. However, the amount preserved would also have to be discounted for the

[2] Chapter 11 administrative expenses are expected to exceed $1,000,000 prior to any of the litigation considered in this section.

risk that the fraudulent transfer claim would be unsuccessful, perhaps because of the defenses to a fraudulent transfer claim afforded by the Bankruptcy Code.

WAC's asserted secured claim may also fail. WAC cannot identify the particular animals that comprise its security interest, though it asserts that it can deduce the identity of many and, pursuant to the Uniform Commercial Code (**"UCC"**) provisions pertaining to commingling of collateral, can preserve its lien in the entire combined herd of the three separate Debtors, despite significant obstacles contained in the language of the UCC. The litigation of these issues by a liquidating trustee could be both profitable and expensive for the various estates.

A similar analysis to that applied to MetLife above may also apply to Rabo, Delta, and IFA—though the facts are not as clear. In addition, a liquidating trustee may bring equitable subordination claims against Rabo arising from its express efforts to encourage unsecured creditors to continue to extend credit to the Debtors (and, thus, enhance its collateral value) in the immediate months preceding their bankruptcy filings while expressly circulating an internal memo instructing representatives to end the lending relationship.

Furthermore, Delta failed to properly perfect its secured claim against Revolution, and IFA failed to properly perfect its secured claim against Highline. These failures might also give rise to viable avoidance actions that could benefit unsecured creditors, but such litigation would consume time and resources and would not be likely to generate revenue sufficient to pay all claims of all creditors in a shorter time that currently proposed under the Plan.

As for opportunities to liquidate the Debtors (or any one individually) as a going concern, the Debtors are not aware of any particular interested parties. Liquidation as a going concern does not appear to be a viable alternative.

Finally, the Debtors are aware of certain intercompany claims, including a claim for $1,000,000 apparently owed by Highline to Revolution. While the solvency of Highline is certainly in question, the additional risk of equitable subordination also makes unlikely the possibility that this asset could eventually benefit Revolution's general unsecured creditors in any meaningful way. In sum, it seems unlikely that after extensive inter-estate litigation, as well as litigation between the estates and their creditors, there would be a substantial benefit available to unsecured creditors that would make such course favorable to the alternatives offered by the Plan.

SETTLEMENTS

The Plan proposes a settlement with Cargill regarding the avoidance of its Secured Claims under § 547. The factual basis of the Debtors' avoidance claims are set forth in the recitals of the Settlement Agreement attached as Exhibit A to the Plan. In the Settlement, Cargill agrees to avoidance of its liens against property of each of the Debtors' estates. The Debtors, in turn, agree to administrative expense status to Cargill's claims for goods sold to the Debtors within 20 days of the Petition Date. Cargill finally agrees that its Administrative Expense may be paid in five monthly installments following the Effective Date of the Plan—which is consistent with the Debtors' treatment of similarly-situated claims.

The Debtors give up little or nothing in the Settlement Agreement because, according to the Debtors' records (as reflected in their Schedules), Cargill would have been entitled to allowance of an Administrative Expense if sought after notice and hearing under § 503(b)(9). Accordingly, the Debtors believe and represent that the Settlement Agreement (which is to be approved as part of the Plan) is in the best interest of their respective estates.

DEFAULT

Upon Confirmation, the Plan governs the rights of creditors and parties in interest with respect to Claims that are discharged. The Plan, in a sense, becomes a new contract between the Debtors and their creditors. In the event of Bliss LLC's default with respect to a debt owed to the holder of Allowed Secured Claim, the Plan provides that the holder may enforce its lien rights according to the terms of its original loan documents as modified under the Plan. For a Default with respect to the holder of an Allowed Unsecured Claim, the Plan provides that such holder (after giving notice and an opportunity for Bliss LLC to cure) may accelerate all amounts due and enforce payment under any applicable law.

DATED this 2nd day of July, 2011.

REVOLUTION DAIRY, LLC

By:/s/ Timothy Bliss
Timothy Bliss, manager

HIGHLINE DAIRY, LLC

By:/s/ Timothy Bliss
Timothy Bliss, manager

/s/ Robert Bliss
Robert Bliss

/s/ Judith Bliss
Judith Bliss

Prince, Yeates & Geldzahler A Professional Corporation	**Parsons Kinghorn Harris** A Professional Corporation	**Berry & Tripp P.C.**
/s/	/s/	/s/
Michael N. Zundel Adam S. Affleck T. Edward Cundick Attorneys for Revolution Dairy, LLC	George Hofmann Victor Copeland Steven C. Strong Attorneys for Highline Dairy, LLC	David T. Berry Attorneys for Robert and Judith Bliss dba Bliss Dairy

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