

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH DAKOTA

In re:

Veblen West Dairy, LLP,

Debtor.

Chapter 11
Case No. 10-10071

DEBTOR'S MOTION FOR
AUTHORITY TO USE CASH COLLATERAL
AND REQUEST FOR PRELIMINARY HEARING

TO: THE PARTIES IN INTEREST AS SPECIFIED IN LOCAL RULE 9001-1(7).

1. Veblen West Dairy, LLP (the "Debtor"), moves this Court (the "Motion") for the relief requested below and gives notice of hearing.

2. Any hearing on the Motion seeking an interim order shall be set by separate order, in the Court's discretion, and in the event the Court schedules such a hearing, all parties will receive separate notice of the same from the Debtor. A hearing on the Motion seeking a final order shall also be set by separate order, but only if an objection is timely filed with the Court.

3. Local Rules 2002-1(f) and 9014-1(a) provides deadlines for responses to this Motion. However, given the expedited nature of the relief sought with respect to the portion of the Motion seeking an **interim order**, the Debtor does not object to written responses being served and filed immediately prior to the hearing. Any response to the Motion for a **final order** must be filed and delivered on or before a date that will be later designated by the Court.

UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.

4. This Court has jurisdiction over this Motion under 28 U.S.C. § § 157 and 1334 and Bankruptcy Rule 5005. This is a core proceeding. The petition commencing the Chapter 11 case for the Debtor was filed on April 7, 2010. The case is now pending before this Court.

5. This Motion arises under 11 U.S.C. § 363(c) and Fed. Bankr. P. 4001(b). This Motion is filed under Fed. R. Bankr. P. 9014 and Local Rules 9001-1 to 9014-1 and 4001-2. The Debtor requests that this Court grant the request for preliminary hearing and enter an interim order authorizing use of cash collateral. The Debtor also requests a final order authorizing the Debtor to use cash collateral. The grounds for this Motion are set forth below.

RULE 4001 STATEMENT

6. Pursuant to Fed. R. Bankr. P. 4001, the Debtor states that it requests an interim and final order authorizing and approving the use of cash collateral in which the Debtor's secured lenders, AgStar Financial Services, PCA and AgStar Financial Services, FLCA (collectively, "AgStar"), hold a security interest.

7. The Debtor will use the cash collateral to continue its operations and pursue a reorganization of its business. The Debtor requests an interim order approving the use of cash collateral through May 31, 2010, and a final order approving the use of cash collateral through September 7, 2010. As adequate protection for the use of cash collateral, the Debtor proposes to: (i) provide interest-only payments on AgStar's existing loans on a monthly basis; (ii) grant AgStar replacement liens on all after-acquired collateral; and (iii) to operate its business to maximize the value of AgStar's collateral.

BACKGROUND

8. On April 7, 2010 (the "Petition Date"), the Debtor filed a voluntary petition for relief pursuant to Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code" or "Code"). Since the Petition Date, the Debtor has continued in possession of its property and continued to operate its business as a debtor-in-possession pursuant to Section 1107(a) and 1108 of the Code. No creditors' or other official committee has yet been appointed pursuant to Section 1102 of the Bankruptcy Code. The main parties in interest have been served with this motion.

9. The Debtor's predecessor, Multi-Community Cooperative Dairy, a South Dakota cooperative ("MCC Dairy"), was built by several of the Debtor's current owners in 1998. MCC Dairy was expanded in 2006 to accommodate up to 5,500 cows. The Debtor was formed in 2008 when it assumed MCC Dairy's assets and liabilities and took over MCC Dairy's operations.

10. The Debtor is a South Dakota limited liability partnership with its principal place of business in Veblen, South Dakota. The Debtor's facility consists of a dairy production operation with the capacity to house up to 5,500 cows and is currently milking approximately 4,000 cows. The Debtor does not expect a decrease in the size of its livestock herd during the period of its interim or final use of cash collateral.

11. The Debtor is managed by Prairie Ridge Management Company, LLC ("Prairie Ridge") pursuant to a Management Agreement, dated April 21, 2008. Although Prairie Ridge provides the Debtor with financial management and accounting services, general management services and farm management services, the Debtor remains responsible for managing its cow herd, facilities and employees.

12. The Debtor's operations are primarily financed by AgStar, with an approximately \$18.5 million credit facility.

13. Pursuant to a Revolving Dairy Cattle Agreement, Veblen East Dairy Limited Partnership ("Veblen East") sells cows to the Debtor to replace culls, dead cows and dry cows. In exchange, the Debtor sells Veblen East pregnant dry cows 60 days prior to calving. This arrangement allows the Debtor to maintain a productive herd while also maintaining consistent costs for replacement cows.

14. The Debtor's facilities are in excellent condition, as is its cow herd. The Debtor has a solid group of employees and its production numbers are strong relative to the dairy production industry.

15. Under this operating structure, the Debtor earned approximately \$19 million in revenue during 2008, and approximately \$17 million in revenue during 2009.

16. A number of factors led to this Chapter 11 filing. In 2009, milk prices (the Debtor's primary revenue source) dropped by approximately 50% from 2008 levels. This resulted in a \$2 million drop in revenue for the Debtor. During the same period, costs for dairy feed reached a 35 year high. Thus, the Debtor's cost to feed cows spiked while the revenue the cows generated dropped considerably. Expenses increased \$4 million from 2008 to 2009. This required the Debtor to drain equity and cash reserves to maintain its operation, much like the rest of the dairy industry.

17. The impact of pricing and cost factors was compounded by other economic and recessionary forces. After five years of unprecedented growth, United States dairy exports all but disappeared in 2009. Additionally, the economic recession and resulting unemployment rates significantly reduced consumption of dairy products.

18. The Debtor responded immediately to these market conditions with operational changes as well as an infusion of additional equity. However, economic conditions have placed the Debtor and other dairy producers in a precarious financial situation.

19. AgStar and other financing sources previously available to the Debtor became more restrictive when they were most needed. Despite the Debtor's repeated attempts to restructure its credit facilities with AgStar to meet its needs, AgStar has refused to accommodate the industry changes and the Debtor's economic realities.

20. The Debtor's access to capital was further limited by the restrictions AgStar imposed on the current credit facility. On September 10, 2009 and September 21, 2009, AgStar required that the Debtor enter into Collateral Assignment of Dairy Income agreements. These agreements require the Debtor's largest customer to make payments to AgStar instead of paying the Debtor. This has resulted in monthly payments directly to AgStar in the approximate amount of \$214,000.00. Thus, prior to the Petition Date, AgStar was receiving both monthly principal and interest payments from the Debtor. AgStar has not made additional credit available to the Debtor to replace this significant reduction in the Debtor's cash flow.

21. AgStar has taken a direct assignment of the approximately \$214,000.00 in dairy income as payment under four promissory notes related to the Debtor's credit facility. Approximately, \$160,000.00 of this payment is being applied to interest and \$53,000.00 is being applied to principal.

22. Notwithstanding these payments to AgStar in March 2010, AgStar demanded that the Debtor surrender its business to AgStar. When the Debtor refused, AgStar wrongfully declared a default, accelerated the debt, and filed a motion in Blue Earth County, Minnesota seeking appointment of a receiver for Veblen West and other related operations. Additionally,

AgStar, through its agents, pursued a course of action designed to impair the Debtor's relationships with its employees, suppliers, trade vendors, and other creditors.

23. As a result of the foregoing, the Debtor filed this bankruptcy case in order to preserve the going concern value, protect unsecured creditors, and restructure its liabilities in accordance with the provisions of the Bankruptcy Code.

USE OF CASH COLLATERAL

24. The Debtor seeks to use cash collateral, specifically the proceeds generated from the Debtor's inventory and accounts, existing as of the date of commencement of this case, and in which AgStar claims an interest. Specifically, the Debtor seeks to use all cash generated by the following categories of collateral in which AgStar may hold an interest ("Collateral"):

- i. All harvested crops and processed crops; all livestock and poultry; all feed, seed, fertilizer, insecticides, herbicides and other agricultural chemicals and supplies; all equipment, spare parts and spare parts and special tools for such equipment; all motor vehicles and all fixtures;
- ii. All contract rights, chattel paper, documents, accounts and general intangibles;
- iii. All inventory, goods, instruments and farm products;
- iv. All milk and accounts from milk sales;
- v. The Debtor's stock, participation certificates, equity reserve and allocated surplus in AgStar or its parent association;
- vi. All documents of title, warehouse receipts, weight receipts, scale tickets, storage contracts and deficiency payments;
- vii. All products of crops, livestock and poultry; and
- viii. The Debtor's real property located in Marshall County, South Dakota.

25. AgStar may hold an interest in one or more categories of the Collateral as a result of certain financing statements and mortgages. Specifically, on October 8, 2008, AgStar filed

financing statements 2008-282071004 and 2008-2820710005 with the South Dakota Secretary of State. AgStar filed additional financing statements 2009-0080810015 and 2009-0080810016 on January 8, 2009 with the South Dakota Secretary of State. In addition, on December 11, 2008, AgStar recorded mortgages with the Marshall County, South Dakota Register of Deeds as Document Nos. 56669 and 56670, as amended by Document Nos. 57533 and 57534 recorded on October 2, 2009. Finally, on October 8, 2009, AgStar recorded mortgages with the Marshall County, South Dakota Register of Deeds as Document Nos. 57549 and 57551.

26. In addition to AgStar, other parties have filed financing statements relating to, and thus may hold an interest in, one or more categories of the Collateral. Those parties include Caterpillar Financial Services Corporation; VFS US, LLC; VFS Leasing Co.; Mid America Leasing Company; and Northland Capital Cooperative Services, LLC.

27. The Debtor seeks the use of cash collateral in order to pay expenses in accordance with the cash flow projections and budget attached hereto as Exhibit A (the "Budget"). The Debtor will use cash collateral to purchase supplies, feed for its herd, compensate employees and provide employee benefits, pay rent on leased premises and/or equipment, make necessary, routine repairs to facilities and equipment, pay promotional expenses and satisfy utility costs. The Debtor does not realize revenues from its operations until April 19, 2010 at the earliest.

28. Therefore, the Debtor requires the use of cash collateral to operate. Without the necessary funds to purchase feed for its herd and to meet its other expenses, the Debtor's operations will suffer immediate and irreparable harm, and the value of the Debtor's business will be substantially diminished. Specifically, unless the Debtor obtains immediate authorization from the Court to use cash collateral, tens of thousands of dollars in perishable inventory will be lost, livestock critical to the Debtor's continuing business will likely suffer serious physical

injury, and fifty-seven (57) employees, many of whom are necessary to the Debtor's continuing operations, will very likely lose their jobs.

29. As set forth in the Budget, the Debtor has an immediate need to use approximately \$3,117,390.32 of cash collateral between the Petition Date and the week ending May 31, 2010, in accordance with the terms of the Budget. Payment of these amounts is necessary to avoid immediate and irreparable harm to the estate, as set forth in the preceding paragraph, pending a final hearing on this Motion. Thus, the Debtor's need for the use of cash collateral is critical and immediate.

30. The Debtor has a limited amount of cash on hand and will generate cash from ongoing operations. As set forth in the Budget, the Debtor projects that such cash will be sufficient to fund its Chapter 11 administrative expenses, including post-petition operating expenses, while maintaining a comparable level of collateral to provide adequate protection to AgStar.

ADEQUATE PROTECTION

31. To adequately protect AgStar's interest, the Debtor proposes to grant AgStar post-petition replacement liens of the same priority, dignity, and effect as its pre-petition interest in the Debtor's cash collateral, to the extent of cash collateral used. In addition, the Debtor will pay in full all monthly interest on AgStar's loans on amounts accruing post-petition.

32. The Debtor's proposed use of cash, its provision of the replacement liens, and its monthly payment of interest on AgStar's loans will provide AgStar with adequate protection against any risk that might be posed by the Debtor's use of its cash collateral. The Debtor proposes to use the cash to continue its operation until a plan of reorganization can be confirmed. Use of the cash collateral during this period will greatly enhance the value of the Debtor and its

estate. If the Debtor is not granted authority to use cash collateral, the only alternative may be to shut down the Debtor's business because the Debtor will be unable to fund its ongoing operations. Any such shutdown would, among other things, greatly reduce the value of AgStar's interest.

33. The Budget demonstrates that through the use of cash collateral, the Debtor will be able to continue operations and work towards a successful reorganization of its company. Such a result is in the best interest of Debtor's estate, AgStar and the Debtor's other creditors.

34. Debtor has been in contact with AgStar's legal counsel, and the Debtor and AgStar are currently engaged in negotiations regarding the Debtor's use of cash collateral through the week ending on May 31, 2010.

35. Prior to the hearing on the Motion, and in settlement of any and all of the matters raised in this Motion, the Debtor may enter into a stipulation or agreed order with AgStar concerning the use of cash collateral, adequate protection, and other related matters. In the event the Debtor enters into any such stipulation, it will seek approval of the stipulation without further notice or hearing pursuant to Bankruptcy Rule 4001(d)(4), and the **DEBTOR HEREBY GIVES NOTICE OF INTENT TO SEEK APPROVAL OF ANY SUCH STIPULATION.**

EXPEDITED RELIEF

36. The Debtor seeks the interim relief herein on an expedited basis and cause exists to reduce notice of the Motion. The Debtor has given approximately two (2) days notice of the hearing. AgStar and the Debtor's largest unsecured creditors have been served with a copy of the Motion.

37. Moreover, the Debtor must have access to cash collateral in the interim period. Among other things, the Debtor is scheduled to fund payroll obligations on April 20, 2010. If

the Debtor fails to make such payments, the Debtor may lose its employees and, in many instances, the Debtor will be unable to hire new employees. Without the funds under the interim use of cash collateral as proposed, the Debtor will suffer inventory losses, damage to its herd, and may be unable to continue its operations overall. If these things occur, the interests of creditors and others in this case will be irreparably harmed. Accordingly, cause exists to reduce notice of the hearing with respect to an interim ordering authorizing the use of cash collateral.

38. Pursuant to Local Rules 9004-1 to 9004-3 and 9072-1, this Motion is accomplished by a memorandum of law, proposed order, and proof of service.

WHEREFORE, the Debtor moves the Court for an order granting:

- A. An expedited hearing on this Motion;
- B. Interim and financial authorization to use cash collateral or approval of any agreement reached with AgStar regarding financing; and
- C. Such other and further relief as the Court deems just and equitable.

Dated: April 9, 2010

/s/ Bryant D. Tchida

Bryant D. Tchida (SD #4000)

LEONARD, STREET AND DEINARD

Professional Association

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Minneapolis, MN 55402

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**ATTORNEYS FOR VEBLER WEST
DAIRY LLP**

EXHIBIT A

| Veblen West Dairy | | | | | | | |
|---------------------------------------|--|--------------------------------------|--|----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | Today- 4.18.10 | 4.19.10-4.30.10 | 5.01.10-5.17.10 | 5.18.10-5.31.10 |
| Ordinary Income/Expense | | | | | | | |
| | | Beginning Cash | | 274.23 | 354,533.60 | 4,837.77 | 39,049.41 |
| | | Ending Cash | | 354,533.60 | 4,837.77 | 39,049.41 | 9,474.17 |
| Income | | | | | | | |
| Livestock Sales | | | | | | | |
| | | Cull Cow Income (\$700/hd) | | 0.00 | 28,000.00 | 29,050.00 | 29,050.00 |
| | | Dry Cow Sales (\$1,900/hd) to VE | | | 562,400.00 | 242,250.00 | 242,250.00 |
| | | Fresh cow Sales (\$1,800) to NH, FS | | | | | |
| | | Calf Sales (\$50/hd) | | | 2,000.00 | 2,000.00 | 2,000.00 |
| Total Livestock Sales | | | | 0.00 | 592,400.00 | 273,300.00 | 273,300.00 |
| Milk | | | | | | | |
| Cows | | | | | | | |
| | | 4000 | | | | | |
| #/Cow | | | | | | | |
| | | 70 | | | | | |
| \$/# | | | | | | | |
| | | Apr May 15.5 Jun 16.75 July -Sept 17 | | | | | |
| Total Milk | | | | | | | |
| | | Income from adj Budget #s | | 693,200.00 | 0.00 | 665,000.00 | 710,000.00 |
| Miscellaneous Income | | | | | | | |
| Rental Income | | | | | | | |
| | | Dry Cow Site Rent Income | | | | | |
| Total Rental Income | | | | | | | |
| Total Income | | | | \$ 693,200.00 | \$ 592,400.00 | \$ 938,300.00 | \$ 983,300.00 |
| Ordinary Income/Expense | | | | | | | |
| Expense | | | | | | | |
| Administrative Expenses | | | | | | | |
| | | First Savings Bank/Veblen | | 183.57 | | 183.57 | |
| | | Grobes | | | 250.00 | 250.00 | 250.00 |
| | | Cargill (nutrition consulting) | | | 5,532.70 | | 5,532.70 |
| | | Donations | | 0.00 | | 0.00 | |
| | | Legal | | 2,600.00 | | 2,600.00 | |
| | | PRM (mgmt fees) | | | 27,024.31 | | 27,024.31 |
| | | Bull Pen (employee mtgs) | | | 420.00 | | 420.00 |
| | | Office Max | | | 605.94 | | 605.94 |
| Total Administrative Expenses | | | | \$ 2,783.57 | \$ 33,832.95 | \$ 3,033.57 | \$ 33,832.95 |
| Animal Health Expenses | | | | | | | |
| Animal Health Expenses - Other | | | | | | | |
| | | Stockmen's | | | 24,750.00 | 12,375.00 | 12,375.00 |
| Total Animal Health Expenses | | | | \$ - | \$ 24,750.00 | \$ 12,375.00 | \$ 12,375.00 |
| Bedding Expense | | | | | | | |
| | | Krause Bros | | 3,500.00 | 3,500.00 | 3,500.00 | 3,500.00 |
| | | Matt Larsen/Various (straw) | | | 2,458.97 | | 2,458.97 |
| | | Stockmen's/lime | | | 565.00 | | 565.00 |
| | | Smith Haygrinding | | 370.00 | 370.00 | 370.00 | 370.00 |
| Total Bedding Expense | | | | \$ 3,870.00 | \$ 6,893.97 | \$ 3,870.00 | \$ 6,893.97 |
| Breeding Expenses | | | | | | | |
| | | Stockmen's (drugs) | | | 6,800.00 | 6,800.00 | 6,800.00 |
| | | PRM (services) | | | 8,160.54 | | 8,160.54 |
| | | MN Select Sires (semen) | | | 15,747.44 | | 18,196.89 |
| Total Breeding Expenses | | | | \$ - | \$ 30,707.98 | \$ 6,800.00 | \$ 33,157.43 |

| Veblen West Dairy | | | | | | | |
|--------------------------------|------------------------------|------------------------------------|--|----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | Today- 4.18.10 | 4.19.10-4.30.10 | 5.01.10-5.17.10 | 5.18.10-5.31.10 |
| Total BST | | BST Elanco | | \$ - | \$ 22,000.00 | \$ 22,000.00 | \$ 22,000.00 |
| Feed Expense | | | | | | | |
| | | Alfalfa - High | | 49,737.50 | 49,737.50 | 49,737.50 | 49,737.50 |
| | | Alfalfa - Low | | 24,112.50 | 24,112.50 | 24,112.50 | 24,112.50 |
| | | Corn (Pherson) | | 21,514.64 | 21,514.64 | 21,514.64 | 21,514.64 |
| | AgStar Milk Check Assignment | Corn - High Moisture 09 | | 18,237.09 | 0.00 | 18,237.09 | 18,237.09 |
| | | Corn Silage | | 25,695.95 | 0.00 | 25,695.95 | 25,695.95 |
| | | Energy Booster (Munson) | | 9,456.57 | 0.00 | 9,456.57 | 9,456.57 |
| | | Gluten (Cargill) | | 22,191.26 | 0.00 | 23,000.00 | 23,000.00 |
| | | Liquid Feed (Mid-West Ag) | | 9,502.39 | 0.00 | 9,502.39 | 9,502.39 |
| | | Mineral - Lactating (Munson) | | 32,824.94 | 0.00 | 32,824.94 | 32,824.94 |
| | | Other Feed | | 1,302.41 | 1,302.41 | 1,302.41 | 1,302.41 |
| | | SBM (MN Soy Proc or AGP) | | 14,443.78 | 0.00 | 20,000.00 | 20,000.00 |
| | | Soy Hulls (MN Soy Proc or AGP) | | 7,617.86 | 0.00 | 7,617.86 | 7,617.86 |
| | | Straw | | 7,208.03 | 0.00 | 7,208.03 | 7,208.03 |
| | | WDG (Tenaska) | | 10,137.78 | 0.00 | 10,137.78 | 10,137.78 |
| | | Dry cow Feed | | 4,500.00 | 4,500.00 | 6,000.00 | 6,000.00 |
| Total Feed Expense | | | | \$ 258,482.72 | \$ 101,167.05 | \$ 266,347.68 | \$ 266,347.68 |
| Freight and Trucking | | | | | | | |
| | | Milk Hauling | | | | | |
| | | Trucking - Livestock | | | | | |
| Total Freight and Trucking | | | | | | | |
| Fuel | | | | | | | |
| | | Baus Oil | | 0.00 | 13,500.00 | | 13,500.00 |
| | | Fuel - Other | | | 32.28 | | 32.28 |
| | | Grobes | | | 150.00 | 150.00 | 150.00 |
| Total Fuel | | | | \$ - | \$ 13,682.28 | \$ 150.00 | \$ 13,682.28 |
| Total Herd Replacement Expense | | Vantage/VE (purchase replacements) | | \$ - | \$ 487,500.00 | \$ 405,550.00 | \$ 330,550.00 |
| Insurance Expense | | | | | | | |
| | | Hartford/PRM | | | 2,180.00 | | 2,180.00 |
| | | ReliaMax/AFCO/PRM | | | 11,710.00 | | 11,710.00 |
| Total Insurance Expense | | | | \$ - | \$ 13,890.00 | \$ - | \$ 13,890.00 |
| Interest Expense | | | | | | | |
| | AgStar Milk Check Assignment | AgStar Long Term Interest | | 20,284.07 | 0.00 | 20,284.07 | 20,284.07 |
| | | AgStar Operating Interest | | 16,145.35 | 0.00 | 16,145.35 | 16,145.35 |
| | | Equipment - Interest | | | 1,082.95 | 1,082.95 | 1,082.95 |
| | | Finance Charge | | 0.00 | 1,361.13 | 0.00 | 1,361.13 |
| | | Interest Cargill | | 0.00 | 25,000.00 | 0.00 | 25,000.00 |
| | | Interest Expense - Other | | 0.00 | 2,275.74 | 0.00 | 2,275.74 |
| Total Interest Expense | | | | \$ 36,429.42 | \$ 29,719.82 | \$ 37,512.37 | \$ 66,149.25 |
| Labor | | | | | | | |
| | | Freshening/Faroff | | | | 10,000.00 | 10,000.00 |
| | | VW and FC | | - | 65,500.00 | 80,100.00 | 80,100.00 |
| Total Labor Expenses | | | | \$ - | \$ 65,500.00 | \$ 90,100.00 | \$ 90,100.00 |

| Veblen West Dairy | | | | | | | |
|--|--|---|-------------|----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | Today- 4.18.10 | 4.19.10-4.30.10 | 5.01.10-5.17.10 | 5.18.10-5.31.10 |
| Total Marketing Expenses | | Check Deductions (culls and milk) | | | | | |
| Total Nutrient Mgmt | | A-Tech & Larson Eng. & Various | | \$ 2,000.00 | \$ 5,000.00 | | |
| Total Production Services Expense | | VE Feed Center Expense | \$ - | \$ - | \$ - | \$ - | |
| Rent Expense | | Cat Finance | | | 16,026.38 | | 16,026.38 |
| | | John Deere | | | 12,148.68 | | 12,148.68 |
| | | Wells Fargo | | | 4,051.73 | | 4,051.73 |
| | | Trinity | | | | 345.92 | |
| | | Volvo | | | | 2,145.36 | |
| | | Mid America Leasing Co. | | | | 979.89 | |
| | | Northland Capital Financial | | | | 878.65 | |
| Total Lease and Rent Expense | | | \$ - | \$ 32,226.79 | \$ 4,349.82 | \$ 32,226.79 | |
| | | Repairs & Maintenance | | | | | |
| | | Building Repairs (Various) | \$ 725.00 | \$ 725.00 | \$ 725.00 | \$ 725.00 | |
| | | Equipment Repairs | | | | | |
| | | Butler | \$ 750.00 | \$ 750.00 | \$ 750.00 | \$ 750.00 | |
| | | Farm Plan | \$ - | \$ 1,000.00 | \$ 500.00 | \$ 500.00 | |
| | | PRM | \$ - | \$ 375.00 | \$ 375.00 | \$ 375.00 | |
| | | Western Farm Sales Inc. | \$ - | \$ 3,250.00 | \$ - | \$ 3,250.00 | |
| | | Minn-Kota Radios/internet | \$ - | \$ 425.00 | \$ - | \$ - | |
| | | Other Vendors | \$ 750.00 | \$ 750.00 | \$ 750.00 | \$ 750.00 | |
| | | | \$ 2,225.00 | \$ 7,275.00 | \$ 3,100.00 | \$ 6,350.00 | |
| | | Parlor Repairs | | | | | |
| | | E. Weinberg | 0.00 | \$ 250.00 | | | |
| | | PRM | 500.00 | 500.00 | 500.00 | 500.00 | |
| | | Schumacher | 4,500.00 | 4,500.00 | 4,500.00 | 4,500.00 | |
| | | | \$ 5,000.00 | \$ 5,250.00 | \$ 5,000.00 | \$ 5,000.00 | |
| Total Repairs & Maintenance | | | \$ 7,950.00 | \$ 13,250.00 | \$ 8,825.00 | \$ 12,075.00 | |
| | | Supplies | | | | | |
| | | Farm Supplies (various) | \$ 250.00 | \$ 250.00 | \$ 250.00 | \$ 250.00 | |
| | | Misc. Supplies | | | | | |
| | | Fastenal | 250.00 | 250.00 | 250.00 | 250.00 | |
| | | Grobe's | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 | |
| | | Stockmen's | 0.00 | 200.00 | | 200.00 | |
| | | Various | 500.00 | 500.00 | 500.00 | 500.00 | |
| | | | \$ 2,000.00 | \$ 2,200.00 | \$ 2,000.00 | \$ 2,200.00 | |
| | | Parlor Supplies | | | | | |
| | | Stockmen's | 0.00 | 775.00 | | 775.00 | |
| | | PRM/Westfalia | 0.00 | 17,500.00 | 8,750.00 | 8,750.00 | |
| | | | \$ - | \$ 18,275.00 | \$ 8,750.00 | \$ 9,525.00 | |
| | | Shop Supplies | | | | | |
| | | PRM/Praxair | \$ 305.00 | | \$ 305.00 | | |
| Total Supplies | | | \$ 2,555.00 | \$ 20,725.00 | \$ 11,305.00 | \$ 11,975.00 | |
| | | Taxes | | | | | |
| | | Property Taxes | | | | | |

| Veblen West Dairy | | | | | | | |
|-------------------------------------|--|--|--|----------------------|----------------------|----------------------|----------------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | Today- 4.18.10 | 4.19.10-4.30.10 | 5.01.10-5.17.10 | 5.18.10-5.31.10 |
| | | Marschall County | | 0.00 | | | |
| | | Sales Tax | | | | | |
| | | Lease Companies | | 0.00 | 850.00 | | 850.00 |
| | | Taxes - Other | | | | | |
| Total Taxes | | | | \$ - | \$ 850.00 | \$ - | \$ 850.00 |
| | | Utilities | | | | | |
| | | Langager (gargage) | | | 1,200.00 | | 1,200.00 |
| | | Lake Region (Electric) | | | 15,500.00 | | 15,500.00 |
| | | Ottertail (Electric-Veblen) | | | 3,700.00 | | 3,700.00 |
| | | Brick (LP) | | | 7,000.00 | | 3,500.00 |
| | | BDM Rural Water/City of Veblen | | | 16,000.00 | | 16,000.00 |
| Total Utilities | | | | \$ - | \$ 43,400.00 | \$ - | \$ 39,900.00 |
| 2 mo. Avg. = 850k/2wk | | Total Cash Expense | | \$ 312,070.71 | \$ 942,095.83 | \$ 877,218.44 | \$ 986,005.33 |
| | | Bankruptcy Specific Expenses | | | 0.00 | 0.00 | |
| | | | | \$ 381,129.29 | \$ (349,695.83) | \$ 61,081.56 | \$ (2,705.33) |
| | | | | | \$ 89,809.68 | | |
| AgStar Milk Check Assignment | | Payment to AgStar | | 26,869.92 | 0.00 | 26,869.91 | 26,869.91 |
| | | 107,232.38 -AgStar interest - CS and HMSC payment | | | | | |
| | | | | \$ 354,259.37 | \$ (349,695.83) | \$ 34,211.64 | \$ (29,575.24) |
| | | 2 month cumulative | | | \$ 9,199.94 | | |
| | | | | | | \$ 9,199.94 | |

| Veblen West Dairy | | | | | | | |
|---------------------------------------|--------------------------------------|--|--|------------------------|------------------------|------------------------|------------------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 6.01.10-6.17.10 | 6.18.10-6.30.10 | 7.01.10-7.17.10 | 7.18.10-7.31.1 |
| Ordinary Income/Expense | | | | | | | |
| | Beginning Cash | | | 9,474.17 | 115,358.75 | 124,631.08 | 85,468.99 |
| | Ending Cash | | | 115,358.75 | 124,631.08 | 85,468.99 | 107,520.01 |
| Income | | | | | | | |
| Livestock Sales | | | | | | | |
| | Cull Cow Income (\$700/hd) | | | 29,050.00 | 29,050.00 | 30,000.00 | 30,000.00 |
| | Dry Cow Sales (\$1,900/hd) to VE | | | 271,700.00 | 271,700.00 | 401,850.00 | 401,850.00 |
| | Fresh cow Sales (\$1,800) to NH, FS | | | 84,600.00 | 84,600.00 | 33,084.00 | 33,084.00 |
| | Calf Sales (\$50/hd) | | | 12,000.00 | 12,000.00 | 11,000.00 | 11,000.00 |
| Total Livestock Sales | | | | 397,350.00 | 397,350.00 | 475,934.00 | 475,934.00 |
| Milk | | | | | | | |
| Cows | | | | | | | |
| | 4000 | | | | | | |
| #/Cow | | | | | | | |
| | 70 | | | | | | |
| \$/# | | | | | | | |
| | Apr May 15.5 Jun 16.75 July -Sept 17 | | | | | | |
| Total Milk | | | | | | | |
| | Income from adj Budget #s | | | 680,000.00 | 724,000.00 | 700,000.00 | 775,000.00 |
| Miscellaneous Income | | | | | | | |
| Rental Income | | | | | | | |
| | Dry Cow Site Rent Income | | | | | | |
| Total Rental Income | | | | | | | |
| Total Income | | | | \$ 1,077,350.00 | \$ 1,121,350.00 | \$ 1,175,934.00 | \$ 1,250,934.00 |
| Ordinary Income/Expense | | | | | | | |
| Expense | | | | | | | |
| Administrative Expenses | | | | | | | |
| | First Savings Bank/Veblen | | | 183.57 | | 183.57 | |
| | Grobes | | | 250.00 | 250.00 | 250.00 | 250.00 |
| | Cargill (nutrition consulting) | | | | 5,532.70 | | 5,532.70 |
| | Donations | | | 0.00 | | 0.00 | |
| | Legal | | | 2,600.00 | | 2,600.00 | |
| | PRM (mgmt fees) | | | | 27,024.31 | | 27,024.31 |
| | Bull Pen (employee mtgs) | | | | 420.00 | | 420.00 |
| | Office Max | | | | 605.94 | | 605.94 |
| Total Administrative Expenses | | | | \$ 3,033.57 | \$ 33,832.95 | \$ 3,033.57 | \$ 33,832.95 |
| Animal Health Expenses | | | | | | | |
| Animal Health Expenses - Other | | | | | | | |
| | Stockmen's | | | 12,375.00 | 12,375.00 | 12,375.00 | 12,375.00 |
| Total Animal Health Expenses | | | | \$ 12,375.00 | \$ 12,375.00 | \$ 12,375.00 | \$ 12,375.00 |
| Bedding Expense | | | | | | | |
| | Krause Bros | | | 3,500.00 | 3,500.00 | 3,500.00 | 3,500.00 |
| | Matt Larsen/Various (straw) | | | | 2,458.97 | | 2,458.97 |
| | Stockmen's/lime | | | | 565.00 | | 565.00 |
| | Smith Haygrinding | | | 370.00 | 370.00 | 370.00 | 370.00 |
| Total Bedding Expense | | | | \$ 3,870.00 | \$ 6,893.97 | \$ 3,870.00 | \$ 6,893.97 |
| Breeding Expenses | | | | | | | |
| | Stockmen's (drugs) | | | | 6,800.00 | 6,800.00 | 6,800.00 |
| | PRM (services) | | | | 8,160.54 | | 8,160.54 |
| | MN Select Sires (semen) | | | | 15,747.44 | | 18,196.89 |
| Total Breeding Expenses | | | | \$ - | \$ 30,707.98 | \$ 6,800.00 | \$ 33,157.43 |

| Veblen West Dairy | | | | | | | |
|--------------------------------|------------------------------|------------------------------------|--|-----------------|-----------------|-----------------|----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 6.01.10-6.17.10 | 6.18.10-6.30.10 | 7.01.10-7.17.10 | 7.18.10-7.31.1 |
| Total BST | | BST Elanco | | \$ - | \$ 22,000.00 | \$ 22,000.00 | \$ 22,000.00 |
| Feed Expense | | | | | | | |
| | | Alfalfa - High | | 49,737.50 | 49,737.50 | 49,737.50 | 49,737.50 |
| | | Alfalfa - Low | | 24,112.50 | 24,112.50 | 24,112.50 | 24,112.50 |
| | | Corn (Pherson) | | 21,514.64 | 21,514.64 | 21,514.64 | 21,514.64 |
| | AgStar Milk Check Assignment | Corn - High Moisture 09 | | 18,237.09 | 18,237.09 | 18,237.09 | 18,237.09 |
| | | Corn Silage | | 25,695.95 | 25,695.95 | 25,695.95 | 25,695.95 |
| | | Energy Booster (Munson) | | 9,456.57 | 9,456.57 | 9,456.57 | 9,456.57 |
| | | Gluten (Cargill) | | 23,000.00 | 23,000.00 | 23,000.00 | 23,000.00 |
| | | Liquid Feed (Mid-West Ag) | | 9,502.39 | 9,502.39 | 9,502.39 | 9,502.39 |
| | | Mineral - Lactating (Munson) | | 32,824.94 | 32,824.94 | 32,824.94 | 32,824.94 |
| | | Other Feed | | 1,302.41 | 1,302.41 | 1,302.41 | 1,302.41 |
| | | SBM (MN Soy Proc or AGP) | | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 |
| | | Soy Hulls (MN Soy Proc or AGP) | | 7,617.86 | 7,617.86 | 7,617.86 | 7,617.86 |
| | | Straw | | 7,208.03 | 7,208.03 | 7,208.03 | 7,208.03 |
| | | WDG (Tenaska) | | 10,137.78 | 10,137.78 | 10,137.78 | 10,137.78 |
| | | Dry cow Feed | | 9,000.00 | 9,000.00 | 9,000.00 | 9,000.00 |
| Total Feed Expense | | | | \$ 269,347.68 | \$ 269,347.68 | \$ 269,347.68 | \$ 269,347.68 |
| Freight and Trucking | | | | | | | |
| | | Milk Hauling | | | | | |
| | | Trucking - Livestock | | | | | |
| Total Freight and Trucking | | | | | | | |
| Fuel | | | | | | | |
| | | Baus Oil | | | 13,500.00 | | 13,500.00 |
| | | Fuel - Other | | | 32.28 | | 32.28 |
| | | Grobes | | 150.00 | 150.00 | 150.00 | 150.00 |
| Total Fuel | | | | \$ 150.00 | \$ 13,682.28 | \$ 150.00 | \$ 13,682.28 |
| Total Herd Replacement Expense | | Vantage/VE (purchase replacements) | | \$ 458,076.88 | \$ 426,526.88 | \$ 543,557.74 | \$ 543,557.74 |
| Insurance Expense | | | | | | | |
| | | Hartford/PRM | | | 2,180.00 | | 2,180.00 |
| | | ReliaMax/AFCO/PRM | | | 11,710.00 | | 11,710.00 |
| Total Insurance Expense | | | | \$ - | \$ 13,890.00 | \$ - | \$ 13,890.00 |
| Interest Expense | | | | | | | |
| | AgStar Milk Check Assignment | AgStar Long Term Interest | | 20,284.07 | 20,284.07 | 20,284.07 | 20,284.07 |
| | | AgStar Operating Interest | | 16,145.35 | 16,145.35 | 16,145.35 | 16,145.35 |
| | | Equipment - Interest | | 1,082.95 | 1,082.95 | 1,082.95 | 1,082.95 |
| | | Finance Charge | | 0.00 | 1,361.13 | 0.00 | 1,361.13 |
| | | Interest Cargill | | 0.00 | 25,000.00 | 0.00 | 25,000.00 |
| | | Interest Expense - Other | | 0.00 | 2,275.74 | 0.00 | 2,275.74 |
| Total Interest Expense | | | | \$ 37,512.37 | \$ 66,149.24 | \$ 37,512.37 | \$ 66,149.25 |
| Labor | | | | | | | |
| | | Freshening/Faroff | | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 |
| | | VW and FC | | 80,100.00 | 80,100.00 | 80,100.00 | 80,100.00 |
| Total Labor Expenses | | | | \$ 90,100.00 | \$ 90,100.00 | \$ 90,100.00 | \$ 90,100.00 |

| Veblen West Dairy | | | | | | | |
|--|--|---|--|-----------------|-----------------|-----------------|----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 6.01.10-6.17.10 | 6.18.10-6.30.10 | 7.01.10-7.17.10 | 7.18.10-7.31.1 |
| Total Marketing Expenses | | Check Deductions (culls and milk) | | | | | |
| Total Nutrient Mgmt | | A-Tech & Larson Eng. & Various | | \$ 50,000.00 | \$ 2,000.00 | \$ 100,000.00 | |
| Total Production Services Expense | | VE Feed Center Expense | | \$ - | \$ - | \$ - | \$ - |
| Rent Expense | | Cat Finance | | | 16,026.38 | | 16,026.38 |
| | | John Deere | | | 12,148.68 | | 12,148.68 |
| | | Wells Fargo | | | 4,051.73 | | 4,051.73 |
| | | Trinity | | | | 345.92 | |
| | | Volvo | | | | 2,145.36 | |
| | | Mid America Leasing Co. | | | | 979.89 | |
| | | Northland Capital Financial | | | | 878.65 | |
| Total Lease and Rent Expense | | | | \$ - | \$ 32,226.79 | \$ 4,349.82 | \$ 32,226.79 |
| | | Repairs & Maintenance | | | | | |
| | | Building Repairs (Various) | | \$ 725.00 | \$ 725.00 | \$ 725.00 | \$ 725.00 |
| | | Equipment Repairs | | | | | |
| | | Butler | | \$ 750.00 | \$ 750.00 | \$ 750.00 | \$ 750.00 |
| | | Farm Plan | | \$ 500.00 | \$ 500.00 | \$ 500.00 | \$ 500.00 |
| | | PRM | | \$ 375.00 | \$ 375.00 | \$ 375.00 | \$ 375.00 |
| | | Western Farm Sales Inc. | | \$ - | \$ 3,250.00 | \$ - | \$ 3,250.00 |
| | | Minn-Kota Radios/internet | | \$ - | \$ 425.00 | \$ - | \$ - |
| | | Other Vendors | | \$ 750.00 | \$ 750.00 | \$ 750.00 | \$ 750.00 |
| | | | | \$ 3,100.00 | \$ 6,775.00 | \$ 3,100.00 | \$ 6,350.00 |
| | | Parlor Repairs | | | | | |
| | | E. Weinberg | | 0.00 | \$ 250.00 | | |
| | | PRM | | 500.00 | 500.00 | 500.00 | 500.00 |
| | | Schumacher | | 4,500.00 | 4,500.00 | 4,500.00 | 4,500.00 |
| | | | | \$ 5,000.00 | \$ 5,250.00 | \$ 5,000.00 | \$ 5,000.00 |
| Total Repairs & Maintenance | | | | \$ 8,825.00 | \$ 12,750.00 | \$ 8,825.00 | \$ 12,075.00 |
| Supplies | | | | | | | |
| | | Farm Supplies (various) | | \$ 250.00 | \$ 250.00 | \$ 250.00 | \$ 250.00 |
| | | Misc. Supplies | | | | | |
| | | Fastenal | | 250.00 | 250.00 | 250.00 | 250.00 |
| | | Grobe's | | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 |
| | | Stockmen's | | 0.00 | 200.00 | | 200.00 |
| | | Various | | 500.00 | 500.00 | 500.00 | 500.00 |
| | | | | \$ 2,000.00 | \$ 2,200.00 | \$ 2,000.00 | \$ 2,200.00 |
| | | Parlor Supplies | | | | | |
| | | Stockmen's | | 0.00 | 775.00 | | 775.00 |
| | | PRM/Westfalia | | 8,750.00 | 8,750.00 | 8,750.00 | 8,750.00 |
| | | | | \$ 8,750.00 | \$ 9,525.00 | \$ 8,750.00 | \$ 9,525.00 |
| | | Shop Supplies | | | | | |
| | | PRM/Praxair | | \$ 305.00 | | \$ 305.00 | |
| Total Supplies | | | | \$ 11,305.00 | \$ 11,975.00 | \$ 11,305.00 | \$ 11,975.00 |
| | | Taxes | | | | | |
| | | Property Taxes | | | | | |

| Veblen West Dairy | | | | | | | |
|-------------------------------|--|--|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 6.01.10-6.17.10 | 6.18.10-6.30.10 | 7.01.10-7.17.10 | 7.18.10-7.31.1 |
| | | Marschall County | | 0.00 | | | |
| | | Sales Tax | | | | | |
| | | Lease Companies | | 0.00 | 850.00 | | 850.00 |
| | | Taxes - Other | | | | | |
| | | Total Taxes | | \$ - | \$ 850.00 | \$ - | \$ 850.00 |
| | | Utilities | | | | | |
| | | Langager (gargage) | | | 1,200.00 | | 1,200.00 |
| | | Lake Region (Electric) | | | 15,500.00 | | 15,500.00 |
| | | Ottertail (Electric-Veblen) | | | 3,700.00 | | 3,700.00 |
| | | Brick (LP) | | | 3,500.00 | | 3,500.00 |
| | | BDM Rural Water/City of Veblen | | | 16,000.00 | | 16,000.00 |
| | | Total Utilities | | \$ - | \$ 39,900.00 | \$ - | \$ 39,900.00 |
| | | | | | | | |
| | | 2 mo. Avg. = 850k/2wk | Total Cash Expense | \$ 944,595.50 | \$ 1,085,207.76 | \$ 1,113,226.18 | \$ 1,202,013.06 |
| | | | Bankruptcy Specific Expenses | | | 75,000.00 | |
| | | | | \$ 132,754.50 | \$ 36,142.24 | \$ (12,292.18) | \$ 48,920.94 |
| | | | | | | | |
| | | | | | \$ 205,525.50 | | |
| | | AgStar Milk Check Assignment | Payment to AgStar | 26,869.92 | 26,869.92 | 26,869.91 | 26,869.91 |
| | | 107,232.38 -AgStar interest - CS and HMSC payment | | \$ 105,884.58 | \$ 9,272.33 | \$ (39,162.09) | \$ 22,051.02 |
| | | | | | | | |
| | | | 2 month cumulative | | \$ 98,045.84 | | |
| | | | | | | | |
| | | | | | | \$ 107,245.78 | |

| Veblen West Dairy | | | | | | | |
|---------------------------------------|--|--------------------------------------|--|------------------------|------------------------|------------------------|------------------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 8.01.10-8.17.10 | 8.18.10-8.31.10 | 9.01.10-9.17.10 | 9.18.10-9.30.10 |
| Ordinary Income/Expense | | | | | | | |
| | | Beginning Cash | | 107,520.01 | 235,854.41 | 210,127.22 | 226,612.46 |
| | | Ending Cash | | 235,854.41 | 210,127.22 | 226,612.46 | 184,310.82 |
| Income | | | | | | | |
| Livestock Sales | | | | | | | |
| | | Cull Cow Income (\$700/hd) | | 30,000.00 | 30,000.00 | 30,000.00 | 30,000.00 |
| | | Dry Cow Sales (\$1,900/hd) to VE | | 286,900.00 | 286,900.00 | 233,700.00 | 233,700.00 |
| | | Fresh cow Sales (\$1,800) to NH, FS | | 92,700.00 | 92,700.00 | 63,000.00 | 63,000.00 |
| | | Calf Sales (\$50/hd) | | 7,250.00 | 7,250.00 | 13,750.00 | 13,750.00 |
| Total Livestock Sales | | | | 416,850.00 | 416,850.00 | 340,450.00 | 340,450.00 |
| Milk | | | | | | | |
| Cows | | | | | | | |
| | | 4000 | | | | | |
| #/Cow | | | | | | | |
| | | 70 | | | | | |
| \$/# | | | | | | | |
| | | Apr May 15.5 Jun 16.75 July -Sept 17 | | | | | |
| Total Milk | | | | | | | |
| | | Income from adj Budget #s | | 730,000.00 | 775,000.00 | 720,000.00 | 775,000.00 |
| Miscellaneous Income | | | | | | | |
| Rental Income | | | | | | | |
| | | Dry Cow Site Rent Income | | | | | |
| Total Rental Income | | | | | | | |
| Total Income | | | | \$ 1,146,850.00 | \$ 1,191,850.00 | \$ 1,060,450.00 | \$ 1,115,450.00 |
| Ordinary Income/Expense | | | | | | | |
| Expense | | | | | | | |
| Administrative Expenses | | | | | | | |
| | | First Savings Bank/Veblen | | 183.57 | | 183.57 | |
| | | Grobes | | 250.00 | 250.00 | 250.00 | 250.00 |
| | | Cargill (nutrition consulting) | | | 5,532.70 | | 5,532.70 |
| | | Donations | | 0.00 | | 0.00 | |
| | | Legal | | 2,600.00 | | 2,600.00 | |
| | | PRM (mgmt fees) | | | 27,024.31 | | 27,024.31 |
| | | Bull Pen (employee mtgs) | | | 420.00 | | 420.00 |
| | | Office Max | | | 605.94 | | 605.94 |
| Total Administrative Expenses | | | | \$ 3,033.57 | \$ 33,832.95 | \$ 3,033.57 | \$ 33,832.95 |
| Animal Health Expenses | | | | | | | |
| Animal Health Expenses - Other | | | | | | | |
| | | Stockmen's | | 12,375.00 | 12,375.00 | 12,375.00 | 12,375.00 |
| Total Animal Health Expenses | | | | \$ 12,375.00 | \$ 12,375.00 | \$ 12,375.00 | \$ 12,375.00 |
| Bedding Expense | | | | | | | |
| | | Krause Bros | | 3,500.00 | 3,500.00 | 3,500.00 | 3,500.00 |
| | | Matt Larsen/Various (straw) | | | 2,458.97 | | 2,458.97 |
| | | Stockmen's/lime | | | 565.00 | | 565.00 |
| | | Smith Haygrinding | | 370.00 | 370.00 | 370.00 | 370.00 |
| Total Bedding Expense | | | | \$ 3,870.00 | \$ 6,893.97 | \$ 3,870.00 | \$ 6,893.97 |
| Breeding Expenses | | | | | | | |
| | | Stockmen's (drugs) | | | 6,800.00 | 6,800.00 | 6,800.00 |
| | | PRM (services) | | | 8,160.54 | | 8,160.54 |
| | | MN Select Sires (semen) | | | 15,747.44 | | 18,196.89 |
| Total Breeding Expenses | | | | \$ - | \$ 30,707.98 | \$ 6,800.00 | \$ 33,157.43 |

| Veblen West Dairy | | | | | | | |
|--------------------------------|------------------------------|------------------------------------|--|-----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 8.01.10-8.17.10 | 8.18.10-8.31.10 | 9.01.10-9.17.10 | 9.18.10-9.30.10 |
| Total BST | | BST Elanco | | \$ - | \$ 22,000.00 | \$ 22,000.00 | \$ 22,000.00 |
| Feed Expense | | | | | | | |
| | | Alfalfa - High | | 49,737.50 | 49,737.50 | 49,737.50 | 49,737.50 |
| | | Alfalfa - Low | | 24,112.50 | 24,112.50 | 24,112.50 | 24,112.50 |
| | | Corn (Pherson) | | 21,514.64 | 21,514.64 | 21,514.64 | 21,514.64 |
| | AgStar Milk Check Assignment | Corn - High Moisture 09 | | 18,237.09 | 18,237.09 | 18,237.09 | 18,237.09 |
| | | Corn Silage | | 25,695.95 | 25,695.95 | 25,695.95 | 25,695.95 |
| | | Energy Booster (Munson) | | 9,456.57 | 9,456.57 | 9,456.57 | 9,456.57 |
| | | Gluten (Cargill) | | 23,000.00 | 23,000.00 | 23,000.00 | 23,000.00 |
| | | Liquid Feed (Mid-West Ag) | | 9,502.39 | 9,502.39 | 9,502.39 | 9,502.39 |
| | | Mineral - Lactating (Munson) | | 32,824.94 | 32,824.94 | 32,824.94 | 32,824.94 |
| | | Other Feed | | 1,302.41 | 1,302.41 | 1,302.41 | 1,302.41 |
| | | SBM (MN Soy Proc or AGP) | | 20,000.00 | 20,000.00 | 20,000.00 | 20,000.00 |
| | | Soy Hulls (MN Soy Proc or AGP) | | 7,617.86 | 7,617.86 | 7,617.86 | 7,617.86 |
| | | Straw | | 7,208.03 | 7,208.03 | 7,208.03 | 7,208.03 |
| | | WDG (Tenaska) | | 10,137.78 | 10,137.78 | 10,137.78 | 10,137.78 |
| | | Dry cow Feed | | 11,250.00 | 11,250.00 | 11,250.00 | 11,250.00 |
| Total Feed Expense | | | | \$ 271,597.68 | \$ 271,597.68 | \$ 271,597.68 | \$ 271,597.68 |
| Freight and Trucking | | | | | | | |
| | | Milk Hauling | | | | | |
| | | Trucking - Livestock | | | | | |
| Total Freight and Trucking | | | | | | | |
| Fuel | | | | | | | |
| | | Baus Oil | | | 13,500.00 | | 13,500.00 |
| | | Fuel - Other | | | 32.28 | | 32.28 |
| | | Grobes | | 150.00 | 150.00 | 150.00 | 150.00 |
| Total Fuel | | | | \$ 150.00 | \$ 13,682.28 | \$ 150.00 | \$ 13,682.28 |
| Total Herd Replacement Expense | | Vantage/VE (purchase replacements) | | \$ 552,877.06 | \$ 529,776.40 | \$ 470,176.40 | \$ 470,176.40 |
| Insurance Expense | | | | | | | |
| | | Hartford/PRM | | | 2,180.00 | | 2,180.00 |
| | | ReliaMax/AFCO/PRM | | | 11,710.00 | | 11,710.00 |
| Total Insurance Expense | | | | \$ - | \$ 13,890.00 | \$ - | \$ 13,890.00 |
| Interest Expense | | | | | | | |
| | AgStar Milk Check Assignment | AgStar Long Term Interest | | 20,284.07 | 20,284.07 | 20,284.07 | 20,284.07 |
| | | AgStar Operating Interest | | 16,145.35 | 16,145.35 | 16,145.35 | 16,145.35 |
| | | Equipment - Interest | | 1,082.95 | 1,082.95 | 1,082.95 | 1,082.95 |
| | | Finance Charge | | 0.00 | 1,361.13 | 0.00 | 1,361.13 |
| | | Interest Cargill | | 0.00 | 25,000.00 | 0.00 | 25,000.00 |
| | | Interest Expense - Other | | 0.00 | 2,275.74 | 0.00 | 2,275.74 |
| Total Interest Expense | | | | \$ 37,512.37 | \$ 66,149.24 | \$ 37,512.37 | \$ 66,149.25 |
| Labor | | | | | | | |
| | | Freshening/Faroff | | 10,000.00 | 10,000.00 | 10,000.00 | 10,000.00 |
| | | VW and FC | | 80,100.00 | 80,100.00 | 80,100.00 | 80,100.00 |
| Total Labor Expenses | | | | \$ 90,100.00 | \$ 90,100.00 | \$ 90,100.00 | \$ 90,100.00 |

| Veblen West Dairy | | | | | | | |
|-----------------------------------|--|-----------------------------------|--|-----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | | | |
| January through February 2010 | | | | | | | |
| | | | | 8.01.10-8.17.10 | 8.18.10-8.31.10 | 9.01.10-9.17.10 | 9.18.10-9.30.10 |
| Total Marketing Expenses | | Check Deductions (culls and milk) | | | | | |
| Total Nutrient Mgmt | | A-Tech & Larson Eng. & Various | | | \$ 2,000.00 | | |
| Total Production Services Expense | | VE Feed Center Expense | | \$ - | \$ - | \$ - | \$ - |
| Rent Expense | | Cat Finance | | | 16,026.38 | | 16,026.38 |
| | | John Deere | | | 12,148.68 | | 12,148.68 |
| | | Wells Fargo | | | 4,051.73 | | 4,051.73 |
| | | Trinity | | | | 345.92 | |
| | | Volvo | | | | 2,145.36 | |
| | | Mid America Leasing Co. | | | | 979.89 | |
| | | Northland Capital Financial | | | | 878.65 | |
| Total Lease and Rent Expense | | | | \$ - | \$ 32,226.79 | \$ 4,349.82 | \$ 32,226.79 |
| | | Repairs & Maintenance | | | | | |
| | | Building Repairs (Various) | | \$ 725.00 | \$ 725.00 | \$ 725.00 | \$ 725.00 |
| | | Equipment Repairs | | | | | |
| | | Butler | | \$ 750.00 | \$ 750.00 | \$ 750.00 | \$ 750.00 |
| | | Farm Plan | | \$ 500.00 | \$ 500.00 | \$ 500.00 | \$ 500.00 |
| | | PRM | | \$ 375.00 | \$ 375.00 | \$ 375.00 | \$ 375.00 |
| | | Western Farm Sales Inc. | | \$ - | \$ 3,250.00 | \$ - | \$ 3,250.00 |
| | | Minn-Kota Radios/internet | | \$ - | \$ 425.00 | \$ - | \$ - |
| | | Other Vendors | | \$ 750.00 | \$ 750.00 | \$ 750.00 | \$ 750.00 |
| | | | | \$ 3,100.00 | \$ 6,775.00 | \$ 3,100.00 | \$ 6,350.00 |
| | | Parlor Repairs | | | | | |
| | | E. Weinberg | | 0.00 | \$ 250.00 | | |
| | | PRM | | 500.00 | 500.00 | 500.00 | 500.00 |
| | | Schumacher | | 4,500.00 | 4,500.00 | 4,500.00 | 4,500.00 |
| | | | | \$ 5,000.00 | \$ 5,250.00 | \$ 5,000.00 | \$ 5,000.00 |
| Total Repairs & Maintenance | | | | \$ 8,825.00 | \$ 12,750.00 | \$ 8,825.00 | \$ 12,075.00 |
| Supplies | | | | | | | |
| | | Farm Supplies (various) | | \$ 250.00 | \$ 250.00 | \$ 250.00 | \$ 250.00 |
| | | Misc. Supplies | | | | | |
| | | Fastenal | | 250.00 | 250.00 | 250.00 | 250.00 |
| | | Grobe's | | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 |
| | | Stockmen's | | 0.00 | 200.00 | | 200.00 |
| | | Various | | 500.00 | 500.00 | 500.00 | 500.00 |
| | | | | \$ 2,000.00 | \$ 2,200.00 | \$ 2,000.00 | \$ 2,200.00 |
| | | Parlor Supplies | | | | | |
| | | Stockmen's | | 0.00 | 775.00 | | 775.00 |
| | | PRM/Westfalia | | 8,750.00 | 8,750.00 | 8,750.00 | 8,750.00 |
| | | | | \$ 8,750.00 | \$ 9,525.00 | \$ 8,750.00 | \$ 9,525.00 |
| | | Shop Supplies | | | | | |
| | | PRM/Praxair | | \$ 305.00 | | \$ 305.00 | |
| Total Supplies | | | | \$ 11,305.00 | \$ 11,975.00 | \$ 11,305.00 | \$ 11,975.00 |
| | | Taxes | | | | | |
| | | Property Taxes | | | | | |

| Veblen West Dairy | | | | | |
|-------------------------------------|--|-----------------|-----------------|-----------------|-----------------|
| Profit & Loss | | | | | |
| January through February 2010 | | | | | |
| | | 8.01.10-8.17.10 | 8.18.10-8.31.10 | 9.01.10-9.17.10 | 9.18.10-9.30.10 |
| | Marschall County | 0.00 | | | |
| | Sales Tax | | | | |
| | Lease Companies | 0.00 | 850.00 | | 850.00 |
| | Taxes - Other | | | | |
| Total Taxes | | \$ - | \$ 850.00 | \$ - | \$ 850.00 |
| | Utilities | | | | |
| | Langager (gargage) | | 1,200.00 | | 1,200.00 |
| | Lake Region (Electric) | | 15,500.00 | | 15,500.00 |
| | Ottertail (Electric-Veblen) | | 3,700.00 | | 3,700.00 |
| | Brick (LP) | | 3,500.00 | | 3,500.00 |
| | BDM Rural Water/City of Veblen | | 16,000.00 | | 16,000.00 |
| Total Utilities | | \$ - | \$ 39,900.00 | \$ - | \$ 39,900.00 |
| 2 mo. Avg. = 850k/2wk | Total Cash Expense | \$ 991,645.68 | \$ 1,190,707.28 | \$ 942,094.84 | \$ 1,130,881.73 |
| | Bankruptcy Specific Expenses | | | 75,000.00 | |
| | | \$ 155,204.32 | \$ 1,142.72 | \$ 43,355.16 | \$ (15,431.73) |
| | | | | | |
| | | | \$ 184,270.47 | | |
| AgStar Milk Check Assignment | Payment to AgStar | 26,869.92 | 26,869.92 | 26,869.91 | 26,869.91 |
| | 107,232.38 -AgStar interest - CS and HMSC payment | | | | |
| | | \$ 128,334.40 | \$ (25,727.19) | \$ 16,485.24 | \$ (42,301.64) |
| | | | | | |
| | 2 month cumulative | | \$ 76,790.81 | | |
| | | | | | |
| | | | | \$ 184,036.59 | |

VERIFICATION

I, Richard Millner, Managing Partner/General Partner of the Debtor, hereby verify, under penalty of perjury, that I have read the foregoing Motion, including Exhibits, I know the contents thereof, and the information contained therein is true and correct to the best of my knowledge, information, and belief.

Dated: April 9, 2010


Richard Millner, Managing Partner/General Partner
of Veblen West Dairy, LLP

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH DAKOTA**

In re:

Veblen West Dairy, LLP,

Debtor.

Chapter 11
Case No. 10-10071

**MEMORANDUM OF LAW IN SUPPORT OF MOTION FOR
AUTHORITY TO USE CASH COLLATERAL
AND REQUEST FOR PRELIMINARY HEARING**

Veblen West Dairy, LLP, (the “Debtor”), requests that the Court enter an expedited order authorizing it to use cash collateral on an interim and final basis.

BACKGROUND

The facts supporting the relief sought are set forth in the verified Motion.¹

ANALYSIS

I. CAUSE EXISTS TO REDUCE NOTICE ON HEARING ON THE INTERIM MOTION.

Bankruptcy Rule 4001(b) provides that a court may commence a final hearing for authority to use cash collateral no later than fifteen (15) days after service of the motion. The Rule further provides that a court may conduct a preliminary hearing before such fifteen (15) day period expires, but the court may authorize the use of cash collateral only to the extent necessary to avoid immediate and irreparable harm to the estate pending a final hearing. Local Rule 2002-1A permits a party to serve moving papers on shorter than ten (10) days notice for cause.

In this case, grounds exist to reduce notice of the interim hearing to authorize the use of cash collateral on a preliminary basis pending the final hearing. The Debtor has an urgent need

¹ Unless otherwise defined herein, capitalized terms have the meaning ascribed to them in the Debtor’s Motion For Authority to Use Cash Collateral and Request for Preliminary Hearing.

for the use of cash collateral to continue its operations uninterrupted. Specifically, unless the Debtor obtains immediate authorization from the Court to use cash collateral, tens of thousands of dollars in perishable inventory will be lost, livestock critical to the Debtor's continuing business will likely suffer serious physical injury, and fifty-seven (57) employees, many of whom are necessary to the Debtor's continuing operations, will very likely lose their jobs. To continue its operations, the Debtor must meet immediate obligations such as payroll, sales taxes, payments to vendors, suppliers, and utilities. For these reasons, cause exists to reduce notice of the hearing on the interim motion.

II. THE COURT SHOULD AUTHORIZE THE PROPOSED USE OF CASH COLLATERAL ON AN INTERIM AND FINAL BASIS.

As a debtor-in-possession, the Debtor is authorized to operate its business under the Bankruptcy Code. *See* 11 U.S.C. § 1108. The Bankruptcy Code provides that a debtor-in-possession may use cash collateral only with the secured creditor's consent or if the Court, after notice and a hearing, authorizes such use. *See* 11 U.S.C. § 363(c)(2). Section 363(e) of the Bankruptcy Code provides that the Court must provide the secured creditor with adequate protection of its interest upon request of the creditor. The Eighth Circuit Court of Appeals has reasoned that:

In any given case, the Bankruptcy Court must necessarily (1) establish the value of the secured creditor's interest, (2) identify the risk to the secured creditor's value resulting from the debtor's request for use of cash collateral, and (3) determine whether the debtor's adequate protection proposal protects values as nearly as possible against risk to that value consistent with the concept of indubitable equivalence.

In re Martin, 761 F.2d 472, 476-77 (8th Cir. 1985).

Pursuant to *Martin*, the first step is to establish the value of the secured creditor's interest. For purposes of this Motion, and focusing on the cash collateral which is subject to the lien of

AgStar, the creditor's interest is determined by what the creditor would recover if the collateral were disposed of in the most commercially reasonable manner practicable. *In re Boring*, 91 B.R. 791, 795 (Bankr.S.D. Ohio 1988); *United States v. Smithfield Estates, Inc.*, 48 B.R. 910, 912 (Bankr. D.R.I. 1985); *see also In re Sheenan*, 58 B.R. 296, 303 (Bankr. D.S.D. 1986) ("The essence of a creditor's interest in the collateral is not necessarily foreclosure and reinvestment, but may be the guarantee that, as a secured creditor, it will be paid in full up to the lien value of the collateral." (quoting *In re Briggs Transp. Co.*, 780 F.2d 1339, 1346-47 (8th Cir. 1985))).

With respect to the first requirement of *Martin*, based on recent conversations, the Debtor and AgStar dispute the value of AgStar's claimed collateral and the amount of indebtedness. What is clear, however, is that the value of AgStar's interest will be enhanced if the Debtor is permitted to maintain its business as a going concern through the use of cash collateral, and AgStar's interest will be seriously diminished if the Debtor is forced to cease operations. As noted, the Debtor is currently milking approximately 4,000 cows, and generating in excess of \$665,000.00 in cash every two weeks. The Debtor does not expect a decrease in the current size of its livestock herd during the pendency of this Chapter 11 case.

The second requirement of *Martin* requires the court to identify the risk to the secured creditor's value resulting from the debtor's request for the use of cash collateral. In the instant case, such risk would be that the Debtor might fail to generate sufficient replacement cash collateral to compensate for the use of existing cash collateral. That risk is minimal in this case. The Debtor proposes to use cash collateral to maintain its existing operations, to meet payroll and payroll taxes, and to fund critical operating expenses. Moreover, the Debtor proposes to use cash collateral to maintain going concern value, which inures to AgStar's benefit. In the event that the Debtor is not authorized to use cash collateral, the only alternative would be to shut

down the Debtor's operations. Any such development would pose a far greater threat to AgStar's interest than the minor risk posed by allowing the Debtor to continue using its cash collateral.

Specifically, the discontinuation of the Debtor's operations would greatly impair the value of the Debtor's assets (i.e., the assets in which AgStar has a security interest). In addition, any shutdown would very likely preclude unsecured creditors from any recovery on their claims, and would disrupt and prejudice many of the Debtor's customers, employees, and other parties in interest. Finally, given the Debtor's commitment to providing AgStar with adequate protection in the form of monthly interest payments and replacement liens, there is little to no risk that AgStar's value will erode by virtue of the Debtor's use of cash collateral.

The third requirement of *Martin* requires the Court to examine the debtor's adequate protection proposal to determine that the proposal protects the value of the secured creditor's interest, if any, in the cash collateral relative to the risk to such value. *See* 761 F.2d at 477. Here, the Debtor is willing to provide AgStar with replacement liens on, and security interest in, the same types and items of collateral as were subject to AgStar's liens as of the commencement of these cases. Such replacement liens would extend to post-petition assets of the estate to the extent of cash collateral used by the Debtor and provide AgStar with adequate protection for any cash collateral actually used. In addition, the Debtor is willing to pay all interest accruing post-petition on a monthly basis.

CONCLUSION

For the foregoing reasons, the Debtor respectfully requests that the Court enter an order granting an expedited hearing, approving the use of cash collateral on an interim basis, and authorizing the Debtor to use cash collateral on a final basis.

Dated: April 9, 2010

/s/ Bryant D. Tchida
Bryant D. Tchida (SD #4000)

LEONARD, STREET AND DEINARD

Professional Association

150 South Fifth Street, Suite 2300

Minneapolis, MN 55402

Telephone: (612) 335-1500

Facsimile: (612) 335-1657

**ATTORNEYS FOR VEBLER WEST
DAIRY LLP**

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH DAKOTA**

In re:

Veblen West Dairy, LLP,

Debtor.

Chapter 11
Case No. 10-10071

CERTIFICATE OF SERVICE

I, Ma Xiong, declare, under penalty of perjury, that on April 9, 2010, I filed:

**DEBTOR'S MOTION FOR
AUTHORITY TO USE CASH COLLATERAL
AND REQUEST FOR PRELIMINARY HEARING**

with the Clerk of Bankruptcy Court through ECF, and that ECF will send an e-notice of electronic filing to the following:

Bruce J. Gering; ustpreion12.sx.ecf@usdoj.gov
William K. Sauck, Jr.; bsauk.lawfirm@midconetwork.com
Roger W. Damgaard; Roger.Damgaard@woodsfuller.com
U.S. Trustee; ustpreion12.sx.ecf@usdoj.gov

I further certify that I caused a copy of the foregoing document and the Notice of Electronic

Filing to be served by First Class Mail on the following parties:

BDM Rural Water

PO Box 49
Britton, SD 57430

Bernard Mahrer Const.

PO Box 57
Rutland, ND 58067

Briggs and Morgan

W2200 First National Bank Building
332 Minnesota Street
Saint Paul, MN 55101

CMP Dairy Consulting, LLC

1240 Hwy 12 SE
Murdock, MN 56271

E. Weinberg Inc

7434 W 27th St
Minneapolis, MN 55426

Elanco Animal Health

1146 PO Box 121146
Dallas, TX 75312-1146

Frohling Law Office

742 Main Street
Britton, SD 57430

Gerry & Kulm Ask, Prof. LLC

PO Box 966
Sioux Falls, SD 57101-0966

Lake Region Electric

PO Box 341
Webster, SD 57274

Langager Stack Movers

Doug & Tammy Langager
12640 Drywood Lake Rd
Sisseton, SD 57262

Lookout Ridge Consulting

PO Box 4249
Mankato, MN 56002

Marshall County Treasurer

PO Box 130
Britton, SD 57430

Minnesota Select Sires

6601 Gregory Park Road
Saint Cloud, MN 56301

Riley Brothers Construction

PO Box 535
Morris, MN 56267

Schumacher Sales Co Inc

13332 384th Ave
Aberdeen, SD 57401

Siegel, Barnett & Schutz, LLP

PO Box 490
Aberdeen, SD 57402-0490

Stockman Transfer Inc

10636 Cameo Circle
Glencoe, MN 55336

Stockmen's Supply

802 West Main Ave West
Fargo, ND 58078

United States Attorney

Attn: Brendan V. Johnson
Post Office Box 2638
Sioux Falls, SD 57101-2638

**South Dakota Department of
Revenue & Regulation**

Attn: Paul Kinsman, Secretary of Revenue
& Regulation
445 East Capitol Avenue
Pierre, SD 57501

Internal Revenue Service

1720 S. Southeastern Ave.
Sioux Falls, SD 57103

VFS US, LLC

P.O. Box 26131
Greensboro, NC 27402

VFS Leasing Company

P.O. Box 26131
Greensboro, NC 27402

Mid America Leasing Company

225 South Main Avenue
Sioux Falls, SD 57104

**Northland Capital Cooperative
Services, LLC**

333 West 33rd Avenue South
St. Cloud, MN 56301

Dated: April 9, 2010

/s/ Ma Xiong

Ma Xiong