

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

In re:	)	
	)	
Veblen West Dairy LLP	)	Bankr. No. 10-10071
Tax ID/EIN 26-2017850	)	Chapter 11
	)	
Debtor.	)	

**DISCLOSURE STATEMENT  
OF  
CERTAIN EQUITY OWNERS OF VEBLLEN WEST DAIRY LLP**

**October 5, 2010**

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TABLE OF CONTENTS

**I. INTRODUCTION.....1**

**A. BACKGROUND .....1**

**B. CONFIRMATION HEARING AND VOTING PROCEDURES .....3**

**C. TAX CONSEQUENCES .....3**

**D. OWNERSHIP AND BUSINESS HISTORY OF THE DEBTOR .....6**

**E. EVENTS LEADING TO REORGANIZATION.....9**

**II. OPERATIONS DURING CHAPTER 11 .....10**

**A. CASH COLLATERAL .....10**

**B. REDUCTION OF EXPENSES-RESULT OF OPERATIONS DURING CHAPTER 11 .....10**

**C. MANAGEMENT.....10**

**D. APPOINTMENT OF CHAPTER 11 TRUSTEE .....11**

**E. RESULTS.....12**

**III. LITIGATION .....13**

**A. EXCEL DAIRY ACTION .....13**

**B. MCC DAIRY ASSET PURCHASE ASSUMPTION OF DEBTS .....14**

**C. SOUTH DAKOTA ENVIRONMENTAL CITATIONS .....20**

**IV. RESERVATION OF ALL RIGHTS, CLAIMS AND ACTIONS.....21**

**V. STEPS TAKEN BY THE DEBTOR TO IMPROVE OPERATIONS .....21**

**A. OVERVIEW .....21**

**B. STABILIZATION OF EXPENSES AND PLAN GOING FORWARD .....22**

**VI. DESCRIPTION OF THE PLAN .....22**

**VII. PLAN TREATMENT OF UNCLASSIFIED CLAIMS .....24**

**A. UNCLASSIFIED CLAIMS AND INTERESTS .....24**

**VIII. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.....26**

**A. CLASS I – CLAIMS SECURED IN WHOLE OR IN PART BY REAL ESTATE.....26**

**B. CLASS II – CLAIMS SECURED SOLELY BY EQUIPMENT-CAPITAL LEASES .....30**

**C. CLASS III: GENERAL UNSECURED CLAIMS-CONVENIENCE CLASS.....34**

**D. CLASS IV: GENERAL UNSECURED CLAIMS-INSIDERS .....35**

**E. CLASS V: GENERAL UNSECURED CLAIMS .....35**

**F. CLASS VI: EQUITY INTERESTS .....36**

**IX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES.....38**

**X. MEANS OF EXECUTION OF THE PLAN.....39**

**XI. ALTERNATIVES TO THE PLAN OF REORGANIZATION .....40**

**XII. OWNERSHIP INTERESTS AND MANAGEMENT FOLLOWING CONFIRMATION.....40**

**CONCLUSION .....41**

## I. INTRODUCTION

### A. BACKGROUND

On April 7, 2010, Veblen West Dairy LLP (the “Debtor”), filed a petition in this Court for reorganization (“Petition”) under Chapter 11 of the U.S. Bankruptcy Code (the “Code”). Shortly thereafter, on April 16, 2010, the Debtor’s largest secured creditors, AgStar Financial Services, FLCA and AgStar Financial Services, PCA filed a motion for the appointment of a Chapter 11 operating trustee (“Trustee Motion”), which was heard by the Court during an evidentiary hearing on May 10, 2010, May 25, 2010, and June 4, 2010, and then taken under advisement shortly thereafter. During the first three months of the Debtor’s bankruptcy case, the Debtor operated its business as a debtor in possession under Section 1107 of the Code and on July 14, 2010, the Debtor filed a plan of reorganization. On July 16, 2010, the Court entered an order granting the Trustee Motion and on July 28, 2010, the Court entered an order approving the appointment of Forrest C. Allred as the Chapter 11 trustee of the Debtor’s bankruptcy estate (“Trustee”).

At this time, the Trustee has not moved forward with the Debtor’s plan of reorganization or any other proposed plan for reorganization. Rather, on September 27, 2010, the Trustee filed a motion to sell free and clear of liens by in-court auction substantially all of the Debtor’s assets (“Motion to Sell Assets”), except those assets specifically described in the Motion to Sell Assets, and a motion to reduce notice of the Motion to Sell Assets. The Court scheduled the hearing on the Motion to Sell Assets for October 8, 2010.

Pursuant to 11 U.S.C. § 1121(c), several equity owners of the Debtor seek to file a plan of reorganization of the Debtor’s assets. Specifically, fifteen (15) members of Veblen West Dairy LLP that hold over 83% of the ownership interests of Veblen West Dairy LLP

(collectively, the “Equity Owners”), are now seeking confirmation of their plan of reorganization (the “Plan”) from the Court. A copy of the Plan accompanies this disclosure statement as **Exhibit A**. The Equity Owners are Aaron Anderson, Duayne Baldwin, Jordan Hill, Jay Hill, Rick Millner, Denny Pherson, Wayne Viessman, Doug Viessman, David Viessman, Randy Viessman, Terry Viessman, Michael Wyum, Wyum Trust, Steve Wyum, and Mark Wyum.

The Equity Owners provide this disclosure statement pursuant to Section 1125 of the Code to all of the Debtor’s known holders of claims and interests in order to provide adequate information about the Debtor and the Plan so that the holders of claims and interests can make an informed judgment about the Plan’s merits and the decision to vote for acceptance or rejection of the Plan.

The Equity Owners request that the Debtor’s creditors vote to accept the Plan. The Plan promises to pay its unsecured creditors 100% of their Allowed Claims, over time, without interest, and thus those creditors will receive more under the Plan, than under a forced liquidation of the Debtor’s assets. Under liquidation, unsecured creditors will receive very little, if anything.

THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT IS SUPPLIED BY THE EQUITY OWNERS AND NOT BY ANY OTHER PARTY. THE EQUITY OWNERS AUTHORIZE NO REPRESENTATIONS, PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS OF THE DEBTOR OR THE VALUE OF THE DEBTOR’S PROPERTY, OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE, OR REJECTION OF THIS PLAN, WHICH ARE OTHER THAN AS

CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION TO VOTE FOR OR AGAINST THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. FORMAL APPRAISALS HAVE NOT BEEN OBTAINED. ALL STATEMENTS CONCERNING FINANCIAL DATA ARE MADE IN GOOD FAITH AND ARE INTENDED TO BE AS COMPLETE AND AS ACCURATE AS POSSIBLE WITHIN THESE LIMITATIONS. THERE IS NO ASSURANCE THAT THE FIGURES SHOWN IN THE PROJECTIONS WILL BE ACHIEVED. THE EQUITY OWNERS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. NEITHER THE EQUITY OWNERS NOR THEIR ATTORNEYS, LEONARD, STREET AND DEINARD P.A., HAVE ANY ACTUAL KNOWLEDGE OF ANY INACCURACIES.

**B. CONFIRMATION HEARING AND VOTING PROCEDURES**

The Court has, in the order accompanying this disclosure statement, set a time and place for a hearing on the confirmation of the Plan. Creditors and interest holders may vote for or against the Plan by completing, dating, and signing the ballot accompanying this disclosure statement and by mailing or otherwise delivering the ballot to the Clerk of Bankruptcy Court. YOUR BALLOT MUST BE RECEIVED BY THE CLERK OF BANKRUPTCY COURT BY THE TIME PROVIDED FOR IN THE COURT'S ORDER FOR IT TO BE COUNTED.

**C. TAX CONSEQUENCES**

The following discussion summarizes certain federal income tax consequences of the Plan to the Debtor, Equity Owners, and to holders of general unsecured claims and interests.

This summary does not address the federal income tax consequences to holders of allowed administrative expense claims, priority claims, or secured claims. This summary does not address foreign, state or local income tax consequences, or any estate or gift tax consequences of the Plan, nor does it address the federal income tax consequences of the Plan to special classes of taxpayers. **Accordingly, this summary should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a claim or interest.**

**THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH SUCH HOLDER. THIS SUMMARY DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE INTERNAL REVENUE SERVICE WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE PLAN.**

**(1) FEDERAL INCOME TAX CONSEQUENCES TO THE EQUITY OWNERS**

The Equity Owners anticipate that confirmation of the Plan will have no federal income tax consequences for the Debtor or the Post-Confirmation Estate. During the Chapter 11 case, the Debtor's post-petition tax obligations have been paid in the ordinary course of the Debtor's business pursuant to the tax laws.

**(2) FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF GENERAL UNSECURED CLAIMS**

The tax consequences to holders of general unsecured claims will differ and will depend on factors specific to such holder, including but not limited to: (i) whether the claim, or a portion thereof, constitutes a claim for interest or principal, (ii) the origin of the claim, (iii) the type of consideration received in exchange for the claim, (iv) whether the holder is a United

States person or a foreign person for tax purposes, (v) whether the holder reports income on the accrual or cash basis method, and (vi) whether the holder has taken a bad debt deduction or otherwise recognized a loss with respect to the claim.

**THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCE TO EACH HOLDER OF A GENERAL UNSECURED CLAIM. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES, UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH HOLDER OF A GENERAL UNSECURED CLAIM OBTAIN HIS, HER OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH HOLDER OF A GENERAL UNSECURED CLAIM AS A RESULT OF THE PLAN.**

**(3) FEDERAL INCOME TAX TREATMENT OF INTERESTS**

In accordance with the Plan, holders of interests will be diluted from the conversion of certain unsecured debt into interests. A holder of an interest will realize a loss of value for their interest. The character of any recognized loss will depend upon several factors including, but not limited to: (i) the status of the holder, (ii) the nature of the interest in the holder's hands, (iii) the purpose and circumstances of its acquisition, (iv) the holder's holding period, and (v) the extent to which the holder had previously claimed a deduction for the worthlessness of all or a portion of the interest.

**THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCE TO EACH HOLDER OF AN INTEREST. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX, AND IN SOME CASES, UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH HOLDER OF AN INTEREST OBTAIN HIS, HER OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH HOLDER OF AN INTEREST AS A RESULT OF THE PLAN.**

**(4) WITHHOLDING AND REPORTING**

Payments of interest, dividends, and certain other payments are generally subject to backup withholding at the rate of 28% unless the payee furnishes his, her or its correct taxpayer identification number to the payor. The Debtor, or a third-party agent of the Debtor, may be

required to withhold the applicable percentage of any payments made to a holder who does not provide its taxpayer identification number. Backup withholding is not an additional tax, but an advance payment that may be refunded to the extent it results in an overpayment of tax.

**THE FOREGOING IS INTENDED TO BE ONLY A SUMMARY OF CERTAIN FEDERAL INCOME TAX CIRCUMSTANCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE AND LOCAL INCOME AN OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, AND LOCAL INCOME AND OTHER TAX CONSEQUENCES UNDER THE PLAN.**

**D. OWNERSHIP AND BUSINESS HISTORY OF THE DEBTOR**

The Debtor is a South Dakota Limited Liability Partnership formed in 2008 with 38 limited partners. The Partnership purchased the assets of Multi-Community Cooperative Dairy (“MCC”) on April 1, 2008 and began operations. The Debtor maintains all of its facilities and operations in Veblen, South Dakota. Until the appointment of the Chapter 11 Trustee by the Bankruptcy Court, Michael Wyum was the managing partner of the Debtor, having replaced Richard Millner out of a concern by the Bankruptcy Court of a perceived conflict of interest between the Debtor and Mr. Millner. The Debtor’s business is the operation of a dairy. The Debtor owns close to 4,000 cows and at any one time milks approximately 3,700 of those cows.

The Debtor’s primary lender is AgStar Financial Services, FLCA and AgStar Financial Services, PCA which are in turn wholly owned subsidiaries of AgStar ACA, a Mankato, Minnesota based agricultural financial services provider (all such entities are hereafter referred to simply as “AgStar.”) The Debtor is one of several dairies that share some common Owners and which all share common management and a common program to enhance milk production and keep



the costs as low as possible. This organizational structure was suggested by AgStar. The related entities and their functions are:

- Short Foot Calf Ranch, Inc., (“Shortfoot”), a calf-raising operation located in Veblen, South Dakota.
- Vantage Cattle, Inc., (“Vantage”) a heifer-raising operation.<sup>1</sup>
- Veblen East Dairy, LLP, (“Veblen East”) a Veblen, South Dakota dairy.<sup>2</sup>
- Dairy Dozen Millnor LLP doing business as Five-Star Dairy (“Five Star”), a Millnor, North Dakota dairy.<sup>3</sup>
- Dairy Dozen Thief River Falls LLP, doing business as Excel Dairy, (“Excel”) a Thief River Falls, Minnesota dairy.<sup>4</sup>
- New Horizon Dairy LLP a Minnesota Limited Partnership operating a dairy in Hoffman, Minnesota (“New Horizon”).

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<sup>1</sup> Shortly after beginning its operations, the Debtor sought to obtain financing from AgStar, for its heifer raising operation. While Agstar approved of the proposed financing, it was not able to secure participants for the funding of the heifer raising operation, and therefore, although the Debtor would have preferred to have its heifers raised internally, a number of the owners of the Debtor formed Vantage in order to obtain financing for the heifer-raising operation for all four dairies. Vantage does not own any of its own facilities but sub-contracts the raising of the heifers with third-parties.

<sup>2</sup> Veblen East filed for Chapter 11 bankruptcy protection on July 2, 2010, in the Bankruptcy Court for the District of South Dakota (Case No. 10-10146). On July 20, 2010, the Court entered an order directing the U.S. Trustee to appoint a Chapter 11 trustee. On September 15, 2010, the Court approved the Chapter 11 trustee’s sale of substantially all of Veblen East’s assets to Vista Family Dairies L.L.C.

<sup>3</sup> Five Star is currently operating as a Debtor in Possession in a Chapter 11 proceeding in North Dakota that was filed in April of 2010 (Case No. 10-30377).

<sup>4</sup> Excel filed for Chapter 11 bankruptcy protection in Bankruptcy Court for the District of Minnesota on April 7, 2010, and voluntarily converted from Chapter 11 to Chapter 7 in June 2010 (Case No. 10-60483).

- Prairie Ridge Management, LLC (“Prairie Ridge”), a Veblen, South Dakota based management company that exists solely to manage the operations of all of the other companies.

Prior to the appointment of a receiver, Veblen East was the hub of the operations of the related dairies and companies. After the receiver was appointed in March of 2010, the operations of the Debtor and the sister dairies began to break down as the receiver, in the estimation of the Debtor, got in over its head and began cutting off its relationships with the other companies. For instance, in late March of 2010, the Veblen East Receiver halted the purchasing of heifers from Vantage for re-sale to the Debtor and the other dairies. As a result, during the bankruptcy, the Debtor began buying and birthing its own heifers for itself and the other dairies. Despite major and on-going disagreements with the receiver, the Debtor continued to try working with Veblen East to house its dried off cows and work with Veblen East on the management of a feed lot on property owned by Veblen West in Veblen, South Dakota. On or about July 2, 2010, Veblen East filed for Chapter 11 bankruptcy protection and a Chapter 11 trustee was appointed shortly thereafter (“Veblen East Trustee”). The Veblen East Trustee sold the Veblen East facility and all of its cows and other assets to Vista Dairies.

In February of 2010, the various entities performed a one-time reconciliation of inter-company accounts which attempted to balance the books of the various companies and place the assets and liabilities of the various companies in line with where the actual benefit was to be provided and the cost for those benefits with who obtained the benefits. This was done after several months when the bookkeeping was behind and where AgStar could not provide the information that the companies needed to properly close the books after the financial re-structuring occurred in October of 2009. Christianson and Associates, P.A., an outside accounting firm previously

employed by the Debtor and hired by the Debtor as its accountant, has testified that the bookings made by the Debtor were appropriate and made in the normal course of the business of the companies.

**E. EVENTS LEADING TO REORGANIZATION**

Market forces outside the Debtor's control, including both high feed prices and low milk prices, conspired to create a perfect storm in late 2008, and especially in 2009, and the Debtor's financing options simultaneously became more scarce and restrictive. This was a situation that is prevalent throughout the dairy industry and is a situation that is still reverberating throughout the country. The Debtor began seeking re-financing of its debt in early 2009, and needed to close on its new loans no later than May of 2009, in order to give itself the best chance at reorganizing its finances outside of a Chapter 11 bankruptcy filing. Unfortunately, due to delays, the restructuring was only able to be closed in October of 2009. Ultimately, the delay in financing led to a delay in the ability of the Debtor to survive outside a Chapter 11 filing when it could not buy the cows it needed to keep its production up, lock in feed and milk margins or reduce its financing costs in time for the savings to allow the Debtor to continue its operations unassisted.

In an attempt to address its many challenges, the Debtor commenced this Chapter 11 case on April 7, 2010 (the "Petition Date") to preserve the going concern value of its operation, protect unsecured creditors, and restructure its liabilities in accordance with the provisions of the Bankruptcy Code. For the first several months following the Petition Date, the Debtor continued in possession of its property and, to the limited extent possible under the circumstances, operated and managed its business as a debtor-in-possession pursuant to 11 U.S.C. §§ 1107 and 1108.

Similar filings were also made in Minnesota and North Dakota on behalf of Five Star and Excel, two other dairies managed by Prairie Ridge that are also borrowers of AgStar.

## **II. OPERATIONS DURING CHAPTER 11**

### **A. CASH COLLATERAL**

Since the Petition Date, the Debtor and AgStar have agreed on many issues in connection with the use of cash collateral. The Debtor and AgStar entered into a series of short-term stipulations for the use of cash collateral and finally, on June 3, 2010, agreed on a final order for the use of cash collateral through September 30, 2010. The major components of the Debtor's adequate protection of AgStar are:

- Payment of approximately \$214,000 per month in adequate protection payments
- Replacement liens on the collateral that AgStar had prior to the filing of the bankruptcy
- Full reports on a daily, weekly and monthly basis of the Debtor's production and costs
- Commitment to a budget for the Debtor's operations during the course of the Bankruptcy

### **B. REDUCTION OF EXPENSES-RESULT OF OPERATIONS DURING CHAPTER 11**

The reduction of expenses that occurred prior to the filing of the bankruptcy have continued. In addition, due to the crises in the dairy industry in general, prices for feed have decreased and this has led to substantial savings in the operations of the Debtor.

### **C. MANAGEMENT**

In May 2010, Richard Millner stepped-down from his position as Managing Partner of the Debtor. In his place, the partners of the Debtor appointed an experienced and knowledgeable farmer, Michael Wyum, to manage the Debtor's operations. Mr. Wyum is a partner in the Debtor and was previously the Chairman of the Board of Directors of MCC Dairy. In addition to his involvement in the dairy industry, Mr. Wyum has been involved in the beef cattle business

for over ten years. Mr. Wyum has been involved with Veblen West since its inception. He has a good rapport with the people at the Debtor's site. Mr. Wyum's skills, expertise, and experience with the Debtor's operations made him an ideal manager to continue to oversee the Debtor's operations. Mr. Wyum agreed to keep Prairie Ridge as the Debtor's contract Manager because he believed that Prairie Ridge was doing a good job managing the Debtor during a very difficult time in the dairy industry and there was no other management company that could manage the operations as cheaply or more effectively than Prairie Ridge.

Following the Petition Date, the Debtor hired Christianson and Associates as its accountants during the Bankruptcy Case. The chief partner in charge is Joel Gratz, who has worked with the Debtor since shortly after its inception. The Debtor wanted to keep an experienced outside accounting service to oversee the bookkeeping and accounting being done by Prairie Ridge and believed that such a service is one key to a successful reorganization.

**D. APPOINTMENT OF CHAPTER 11 TRUSTEE**

Early on in the Bankruptcy Case, AgStar moved to appoint a Chapter 11 operating trustee to oversee the operations of the Debtor during the course of the bankruptcy ("Trustee Motion"). The Debtor opposed the Trustee Motion. During the two-day evidentiary hearing on the Trustee Motion, Ian Woods, a Cargill Animal Nutrition Consultant, who is very familiar with the daily operations of the Debtor, testified that the conditions at Veblen West are "excellent." Mr. Woods characterized the Debtor as being in the top 5% of the herds that he works with based on milk efficiency and in the top 2% based on reproductivity. He further stated that the Debtor is leading the industry and "outstanding" in the amount and volume of information that it tracks. The Equity Owners believe that all evidence presented at the hearing on the motion show

that the Debtor is an industry leader, is well-managed, and was operating a clean, orderly and productive dairy operation.

Following the second day of the evidentiary hearing on the Trustee Motion on May 25, 2010, the Court took the matter under advisement. On July 14, 2010, the Debtor filed a plan of reorganization. Despite the installation of Mr. Wyum as Managing Partner of the Debtor's operations and the independent accounts overseeing Prairie Ridge's bookkeeping and accounting, on July 16, 2010, the Court entered an order granting the Trustee Motion and on July 28, 2010, the Court entered an order approving the appointment of Forrest C. Allred as the Chapter 11 trustee of the Debtor's bankruptcy estate ("Trustee"). Since his appointment, the Trustee has not made any material changes to the operations of the Debtor and has continued to employ Prairie Ridge to manage these operations.

At this time, the Trustee has not moved forward with the Debtor's plan of reorganization or any other proposed plan for reorganization. Rather, on September 27, 2010, the Trustee filed a motion to sell free and clear of liens by in-court auction substantially all of the Debtor's assets ("Motion to Sell Assets"), except those assets specifically described in the Motion to Sell Assets, and a motion to reduce notice of the Motion to Sell Assets. The Court scheduled the hearing on the Motion to Sell Assets for October 8, 2010.

The Equity Owners believe that the operation of the Debtor and consummation of the Equity Owners' Plan is the only method by which non-insider unsecured creditors can receive any return on their allowed claims.

#### **E. RESULTS**

The Debtor's milk is sold to Bongard Creamery in Perham, Minnesota. The Equity Owners believe that this relationship will continue throughout the reorganization process, even if

the Debtor sells its dairy cows to a third-party. The Equity Owners believe that if Bongard Creamery were to cease buying the Debtor's milk, the Debtor would be able to find substitute markets for its products.

During the bankruptcy case, the Debtor's projections have been met, and operations during the Chapter 11 have cash-flowed, paying all administrative and operating expenses except those that have not yet come due such as some professional fees. The Equity Owners have budgeted for professional fees and U.S. Trustee fees during the course of the Bankruptcy and believe that the Debtor will be able to pay the administrative claims of its professionals as provided under the terms of the United States Bankruptcy Code.

A summary of operations during the Chapter 11 is attached hereto as **Exhibit B**. The Debtor operated on a break-even basis during the course of the Bankruptcy and its revenues are increasing as it continues to increase per-cow production. For these reasons, the Equity Owners are confident of the Debtor's ability to fund the Plan in full.

### **III. LITIGATION**

#### **A. EXCEL DAIRY ACTION**

In 2008, 23 citizens of Minnesota sued the Debtor and all the companies listed on Section III in Marshal County Minnesota (*Brouse et. al. v. The Dairy Dozen Thief River Falls, d/b/a Excel Dairy, et. al.*, Ninth Judicial District File No. 45-cv-08-301-the "Excel Dairy Action") for damages related to claims of nuisance and potential personal injuries allegedly suffered through the release of harmful fumes from the results of the operation of Excel Dairy located in Thief River Falls, Minnesota. The Debtor filed an answer denying that any of its cows were responsible for any damages suffered or allegedly suffered by the Plaintiffs and that Plaintiffs did not appropriately mitigate any purported damages. The Excel Dairy Action was stayed

before any efforts were made by Plaintiff to articulate any monetary value for the alleged damages as a result of the bankruptcies filed in April of 2010. Excel Dairy converted its Chapter 11 case to a Chapter 7 case in June of 2010. Twenty-one of the twenty-three Excel Dairy Action Plaintiffs have filed a proof of claim against the Debtor in an unspecified amount “in excess of \$1 million dollars.” The Equity Owners object to those claims and will seek to have the claims of those Plaintiffs estimated at \$0.00 for all purposes, including voting on the Plan of Reorganization. To the extent that any of the twenty-one plaintiffs in the Excel Dairy Action hold Allowed Claims, those claims will be treated as unsecured (Class V) claims.

**B. MCC DAIRY ASSET PURCHASE ASSUMPTION OF DEBTS**

On April 1, 2008, Veblen West purchased the assets of MCC Dairy through an asset purchase agreement (“APA”) that provided for assumption of many of the executory contracts, secured claims and leases identified in the Plan. The Equity Owner proposes that the Debtor assume the APA. A true and correct of the APA is attached hereto as **Exhibit C**. In paragraphs 7 and 8 of Exhibit 3 to the APA, the Debtor also agreed to assume certain claims of MCC as follows:

“7. Administrative Costs and Fees. All administrative costs and fees associated with Seller’s liquidation, including, but not limited to, the fees of Clair Gerry, court-appointed receiver, Wayne Bradley, broker/consultant, and Seller’s attorneys, accountants, and advisors.

8. Litigation. Buyer (Veblen West Dairy, LLP, or VWD) shall assume the liability of Seller (MCC) as to defense costs and as to settlements or judgments, if any, regarding the following claims:

- a) *Multi-Community Cooperative Dairy v. James L. Nickeson Farms, Inc.*, Marshall County, South Dakota, Circuit Court File No. 06-058, and
- b) *James L. Nickeson Farms, Inc., et al., v. Multi-Community Cooperative Dairy*, Marshall county, South Dakota, Circuit Court File No. 07-20, and
- c) *Multi-Community Cooperative Dairy v. James L. Nickeson*, Marshall County, South Dakota, Circuit Court File No. 07-24, and



- d) *Veblen District, et al., v Multi-Community Cooperative Dairy, et al.*, Marshall County South Dakota, Circuit Court File No. 07-85, and
- e) *James L. Nickeson Farms, Inc., et al., v. Multi-Community Cooperative Dairy*, Marshall County, South Dakota, Circuit Court File No. 08-12, and
- f) The claims asserted by James L. Nickeson in a letter dated February 19, 2008, from Nickeson's attorney, Mark R. Hanson, to Jack Y. Perry and Dana J. Frohling, a copy of which is attached hereto and incorporated herein, and
- g) *Associated Milk Producers, Inc., v. Blimling & Associates, et al*, Brown County, Minnesota, District Court File No. CV-08-372)
- h) *Continental Casualty Company v. Multi-Community Cooperative Dairy, Richard Millner, Aaron Anderson, Matthew Millner, Dennis Pherson, Jr., Jorden Hill, Wayne Vlessman, Michael Wyum, Duane Baldwin, Veblen District, Jerry Pierson, Clarice Blaeser, Don Monson, Scott Nickeson, Ron Nickeson, Gerry Person, Ralph Keintz, Leroy Aadland, Carman Lieu, Gerald Heitmann, James L. Nickeson, Farms, Inc., and James L. Nickeson*, file number Civ 08-1010, filed in United States District court for the District of South Dakota, Northern Division, and
- i) "Loss" resulting from "claims" that should be covered under Seller's Not-for-Profit Organization/Association Professional Liability Policy issued by CNA Insurance ("CNA Policy") because any of the above referenced claims are covered under the CNA Policy. ...In the event insurance coverage for any Claim or Claims is available directly to MCC's Indemnities, to MCC for its own liability, or to MCC for MCC's Indemnity Obligation under any policy as to which MCC paid the premiums ("MCC Policy"), then VWD's Indemnity Obligation shall be only for any amounts that exceed the applicable limits of the insurance policy or that portion of VWD's Indemnity Obligations as to which insurance coverage is not available in accordance with the terms of such policy."

Of these additional assumed debts as a result of the APA, the Equity Owners believes that the Debtor has paid all items in paragraph 7 and that there are no claims that will be allowed under paragraph 8 i. In addition, the Debtor settled the claims set out in paragraphs 8 g and 8 h pre-petition. The settlement agreement for the claim in paragraph 8 g provides for payment as follows: The parties reached a fully executed settlement agreement. The stipulation of dismissal with prejudice of all claims was executed by the parties and the Court. There is a confidentiality provision regarding the settlement. In summary, the Defendant Dairies agreed to an amount to

be paid to AMPI over 5 years. AMPI collects this payment itself from the annual capital retains from prior years that is due each dairy annually.

The claim in paragraph 8 h involved an action by MCC Dairy against its insurance carrier to determine its coverage. The settlement agreement dated March 6, 2009, involved a lump sum payment to MCC Dairy pre-petition.

Paragraphs 8 a, b, d and e represent a series of suits filed by MCC against James L. Nickeson and James L. Nickeson Farms, Inc. and vice-versa (the “Nickeson Actions”) in Marshall County South Dakota Circuit Court. The Nickeson Actions contain claims and counterclaims for money owed for goods provided and services rendered, fraud, and breach of fiduciary duty, among others. The Court appointed a receiver in the Nickeson Actions to fulfill the following duties:

1. Clair R. Gerry of Sioux Falls, South Dakota is appointed Receiver of Defendant Multi-Community Cooperative (MCC) Dairy to serve without bond.
2. The receiver is appointed to oversee the pending dissolution sale of MCC Dairy and to oversee the distribution of any and all proceeds from the sale.
3. In performing his duties, the Receiver shall have all the rights, powers and duties necessary or incidental to performing the duties authorized by the Court.
4. The Receiver shall oversee the method and procedure by which MCC creditor claims are processed and the distribution of sale proceeds to MCC creditors.

The receiver provided the requested report and the Nickerson’s withdrew the claim for a receiver.

Paragraph 8 d represents a shareholder's derivative action against MCC Dairy, Richard Milner and other individuals, some of which are also Owners of the Debtor. The action was filed in Marshall County, South Dakota Circuit Court (Case No. 07-85-the "MCC Derivative Action"). The MCC Derivative Action is within a dissolution proceeding and the claimants seek monetary damages against the Defendants for various claims of dissipation of corporate assets and fraud. The Nickeson Actions and the MCC Derivative Action were pending in Marshall County Circuit Court at of the Petition Date. The MCC Derivative Action is stayed until after the sale is approved by the court.

The receiver filed a report with the court in the Nickeson Actions seeking to obtain approval for the allocation of the sale proceeds from the approved sale of assets to MCC Dairy.

In summary, the receiver's report states:

- He was appointed to oversee the pending dissolution sale of MCC Dairy and oversee the distribution of all proceeds from said sale. He was also directed to oversee the method and procedure by which MCC creditor claims are processed and the distribution sale proceeds to MCC Creditors.

- MCC Dairy had retained a broker, Bradley Business Advisors, LLC, prior to receiver's appointment to assist in selling the dairy. Receiver concluded that an assumption bid, backed by guarantees, would be in the best interest of all parties. Undisputed trade creditors received immediate payment upon closing. Disputed claims could work the process through the Court or mediation systems and the guarantee of the assumption of debt would provide available funds. The assumption bid also reserved any potential assets for MCC Dairy stake holders to recover investments if derivative claims could be established.

- Receiver determined the annual audits performed for MCC Dairy were more extensive than ordinary and did not warrant additional auditing. The receiver did hire an independent appraisal to provide further assurance that the sale price was appropriate. The appraisal estimated the value at \$12.7 million without cattle and inventory. Receiver believed his duties had been complete and moved for certificate of dissolution or dismissal of receiver and for approval of receiver and expenses.

In response, the plaintiffs in the Nickeson Actions filed an objection to the report seeking a forensic audit of the entities financials before the dissolution could be finalized. The court

sustained the plaintiffs' objection, denied the motion for final dissolution of MCC and discharge of the receiver. The court then issued an oral ruling on Aug 24, 2009 authorizing payment to the receiver of about \$6,000.00 and the Court decided that it would be appropriate to have a forensic audit done to look at some of the past transactions of MCC Dairy. He authorized the receiver to decide the scope and get a cost estimate. Thus, the forensic audit is a litmus test for the claims of the plaintiffs in the MCC Derivative Action to determine whether or not the matters should proceed and whether the receiver should be discharged from any further duties. On October 5, 2010 the Debtor received notice from the receiver's audit firm that the audit was in the completion process. The Equity Owners believe that the conclusion of the audit will reveal that there is no value to the plaintiffs' claims or that they are of significantly lower value such that the dissolution proceeding may be concluded and that the plaintiffs' claims will be summarily dismissed. To the extent that the results of the limited audit are mixed or otherwise appear to support the claims, the plaintiffs in the MCC Derivative Action will bear the burden to revive the proceedings against the defendants. Any resulting claims against the Debtor will be treated as Class V general unsecured claims pursuant to the Plan.

A Proof of Claim on behalf of all of the Claimants of the MCC Derivative Action was filed on July 8, 2010 (Claim number 46) in the amount of \$3,380,000.00. The Equity Owners object to those claims and will seek to have the claims of those Plaintiffs estimated at \$0.00 for all purposes including voting on the Plan of Reorganization. To the extent holders of Claim Number 46 hold Allowed Claims, those claims will be treated as unsecured (Class V) claims.

In connection with paragraph 8 f of Exhibit 3 of the APA, the following claims were additionally filed:

<b>Creditor Name</b>	<b>Amount on Schedule F</b>	<b>Proof of Claim Filed (Yes/No)</b>	<b>Claim #</b>	<b>Proof of Claim Amount</b>
Camille Nickeson	N/A	YES	42	\$307,185.00
Lee Nickeson	N/A	YES	43	\$327,175.00
Darci Ihrke	N/A	YES	44	\$570,920.00
Larisa (Brauch) Nickeson	N/A	YES	45	\$804,775.00
<b>Total</b>				<b>\$2,010,055.00</b>

These four litigation related claims indicate that the amounts in the Proofs of Claim are related to a separate shareholder's derivative action that MCC Dairy should bring on behalf of the holders of claim number 42, 43, 44 and 45. The Equity Owners believe that these claims have no merit, and will ultimately be denied in full. The Equity Owner object to those claims and will seek to have the claims estimated at \$0.00 for all purposes including voting on the Plan of Reorganization. To the extent holders of Claim Numbers 42, 43, 44 and 45 hold Allowed Claims, those claims will be treated as unsecured (Class V) claims.

The following claim was also allegedly filed in relation to the Debtor's assumption of claims against MCC Dairy in the APA.

<b>Creditor Name</b>	<b>Amount on Schedule F</b>	<b>Proof of Claim Filed (Yes/No)</b>	<b>Claim #</b>	<b>Proof of Claim Amount</b>
Lee Nickeson	N/A	YES	41	\$12,036.80
James L. Nickeson Farms, Inc.	N/A	YES	40	\$577,877.38
Tank's Backhoe Service	0	YES	47	\$203,805.37
<b>Total</b>				<b>\$793,719.55</b>

Claim Numbers 40, 41 and 47 describe services provided, unpaid goods sold and miscellaneous claims against MCC Dairy, but there is no specific claim that the Debtor has specifically assumed these alleged obligations in Exhibit 3 to the APA (even though, in the case

of Claim 40 and 41 a copy of the APA was attached to the claim). The Equity Owners believe that these claims have no merit, and will ultimately be denied in full. The Equity Owners object to those claims and will seek to have the claims estimated at \$0.00 for all purposes including voting on the Plan of Reorganization. To the extent holders of Claim Numbers 40, 41 and 47 hold Allowed Claims, those claims will be treated as unsecured (Class V) claims.

**C. SOUTH DAKOTA ENVIRONMENTAL CITATIONS**

In 2009 and 2010 the South Dakota Department of Environment and Natural Resources (“DENR”) cited the Debtor’s operation of its manure waste lagoons. During 2008 and 2009, both moisture and frost conditions made normal disposal manure impossible. The Debtor took prompt remedial actions and cooperated with the DENR, and in May of 2010, obtained an Amended Settlement Agreement with the DENR to resolve all outstanding concerns with the DENR. Since the Petition Date, the Debtor’s estate has fully complied with the terms of the Amended Settlement Agreement and the Debtor intends to continue to comply with its terms post-confirmation.

The Debtor provided the DENR with all documentation required by the Amended Settlement Agreement. Additionally, the Debtor hired Donald Larson, an engineer from Larson Engineering, to assist in remedying the waste lagoon concerns. The Debtor engaged in significant pumping of its waste lagoons through the use of above-ground pivots in May 2010. The use of above-ground pivots will enable the reorganized Debtor to increase the window of manure spreading throughout the growing season. The Equity Owners and the Debtor take seriously the terms of the Amended Settlement Agreement. To date, all terms of the Amended Settlement Agreement have been complied with and the Equity Owners expect the Debtor to

remain in compliance with its terms during the course of the reorganization and post-confirmation.

On July 8, 2010, the DENR sought a motion to lift the stay, claiming that the Debtor was not doing enough to comply with the Amended Settlement Agreement. Although the Debtor disagreed with the DENR's position that the Debtor was not complying with the Amended Settlement Agreement, the Debtor agreed to lift the stay to allow the DENR to seek relief under South Dakota Law in the event that the Debtor fails to comply with the Amended Settlement Agreement.

#### **IV. RESERVATION OF ALL RIGHTS, CLAIMS AND ACTIONS**

Post-confirmation, the Trustee shall retain the right to investigate the rights of recovery, if any, under the Bankruptcy Code, including preference actions and the like. Furthermore, the Trustee shall retain the right to commence adversary proceedings, object to claims, or take any other legal action allowed by the Bankruptcy Code, or other applicable law. All funds recovered from such proceedings will be given by the Trustee to the Debtor, or a third-party agent of the Debtor, to fund the Plan, and for operations.

#### **V. STEPS TAKEN BY THE DEBTOR TO IMPROVE OPERATIONS**

##### **A. OVERVIEW**

The Debtor's primary response to the financial crisis it found itself in was to utilize the Chapter 11 process. In addition, the Debtor has:

(i) Reduced management staffing and executive compensation.

(ii) Increased per-cow production.

(iii) Brought in a Certified Public Accounting Team to provide appropriate corporate controls and systems to oversee the bookkeeping and accounting services. The Debtor has

engaged the services of Christianson & Associates, a certified public accountant to assist in the Debtor's reorganization. The assistance of a professional accounting service has allowed the Debtor to properly recognize expenses and the profitability of its business. The Equity Owners plan for the Debtor to continue working with Christianson & Associates or a similar accounting firm post-confirmation to continue the Debtor's progress of running a profitable company.

These steps have allowed the Debtor to adopt target goals for sales volume for its operations that can be achieved, and that are sufficient to meet and pay current operating expenses, and pay pre-petition secured and unsecured creditors under a Plan of Reorganization.

**B. STABILIZATION OF EXPENSES AND PLAN GOING FORWARD**

Prior to the appointment of the Trustee, the Debtor, in the opinion of the Equity Owners and the Debtor's management, developed a base of sales sufficient to make the Debtor profitable if current operating expenses are properly controlled, operations continue to be carefully managed, the Equity Owners' developing marketing plan continues to be implemented and pre-petition debt is restructured for payment over time or, in the case of insider debt, is converted to Ownership shares in the Debtor. Critical financial factors that support this view include the facility lease with Vista Dairies which has the benefit of the cash flow from Veblen East which it acquired at 33% of total debt, a substantial equity infusion into Vista Dairies in excess of \$3,000,000 including a deposit of 3 months payments under the Lease Facility Agreement and a reduction in the interest expense owed to Agstar under the Agstar loans.

**VI. DESCRIPTION OF THE PLAN**

The Equity Owners, cognizant of the consequences to the Debtor's creditors in the event a plan of reorganization is not confirmed, developed its plan to provide realistic and acceptable recoveries for each class of claims against the Debtor. The Equity Owners' Plan will be funded



by a number of income streams. First, the Equity Owners propose the sale of approximately 3,600<sup>5</sup> of the Debtor's dairy cows for \$800.00 per head for an approximate total sale price of \$2,880,000.00 to Vista Family Dairies, L.L.C. ("Vista Dairies"). Second, the Equity Owners propose that the Debtor lease the Veblen West Facilities to Vista Dairies for a monthly rental fee of \$140,000.00.<sup>6</sup> The Facilities Rent will be sufficient to pay both the Debtor's secured and unsecured Allowed Claims as provided in Article VI of this Plan. Third, Vista Dairies will be responsible for the two annual payments of the Debtor's real estate taxes. Fourth, upon the execution of the Facilities Lease, Vista Dairies will pay in advance three months of Facilities Rent as a cushion in the event of any default under the Facilities Lease. Fifth, AgStar will retain its lien rights in all of its prepetition collateral other than the dairy cows. Sixth, Vista Dairies will grant AgStar an assignment of the milk from Vista Dairies' dairy cows. The cash flow generated pursuant to the provisions of this Plan will be sufficient to pay the Debtor's creditors as provided for in this Plan.

Upon the Effective Date of the Plan, the management of the Debtor will be reinstated and the Debtor, or a third-party agent of the Debtor, will resume control of the Debtor's affairs and all of its Assets, and will collect lease payments and disburse funds and carry-out most of the provisions of the Plan. The Trustee will remain in control of the bankruptcy-related matters of the Debtor's estate. Specifically, the Trustee will continue examining claims for determination as to allowed claim amounts and pursue claim objections, including any inter-company claims,

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<sup>5</sup> The number of dairy cows changes every day.

<sup>6</sup> The Equity Owners propose the entry into a lease between the Equity Owners and Vista Family Dairies L.L.C. for the Veblen West Dairy LLP Facilities ("Facilities Lease"), which the Equity Owners will assign to the Debtor. A draft of the term sheet for the Facilities Lease is attached hereto as **Exhibit D**.

and pursue adversary proceedings, including but not limited to any preference actions, actions to subordinate claims, and fraudulent transfer claims.

The Equity Owners believe that the Debtor's creditors will receive more from the performance of the Plan than by liquidating the Company. Creditors holding Secured Claims will receive the full amount of their Allowed Secured Claims, with interest. Creditors without security interests, who would likely receive nothing from a liquidation of the company, have, under the Plan, a vested interest in the survival of the Debtor, and will receive their pro rata portion of 100% of their claims, over time, without interest.

The Equity Owners believe that the Plan enables each class of claims to maximize its recovery and, at the same time, allows the Debtor a method to be reorganized. The following description of the Plan is qualified by the terms of the Plan itself. Creditors should read both the Disclosure Statement and the Plan carefully and seek competent advice for any questions they may have.

## **VII. PLAN TREATMENT OF UNCLASSIFIED CLAIMS**

### **A. UNCLASSIFIED CLAIMS AND INTERESTS**

Unclassified Claims include:

- (a) All fees payable, including quarterly fees payable to the United States Trustee and any court fees, as required under 28 U.S.C. § 1930(a)(6). As of the date hereof, these fees are current.
- (b) Post-petition Claims, incurred in the ordinary course of the Debtor's business other than those listed in paragraph c and d below. These post-petition payments are current.
- (c) Allowed Priority Expense Claims, except as otherwise classified herein, including:
  - (1) Allowed administrative expense fees and expenses of counsel for the Debtor and accountants for the Debtor pursuant to 11 U.S.C. § 503(b) as well as any other

professionals hired by the Debtor and whose retention and fees have been or will be approved by the Court.

- (2) Administrative Claims of taxing authorities for post-petition taxes under 11 U.S.C. § 507(a)(2) and 503(b). The post-petition taxes are current.
- (3) Claims of taxing authorities for pre-petition taxes entitled to priority by reason of 11 U.S.C. § 507(a)(8).

Treatment of Administrative Priority Claims:

The foregoing Allowed Administrative Claims will be satisfied by payment in full on the Effective Date, to the extent not otherwise paid in the ordinary course of business as the same become due or as agreed upon by a particular Claimant. The Debtors will continue to pay all fees payable, including quarterly trustee fees, and any other court fees, that come due until the Chapter 11 case is closed, converted or dismissed, as required by 28 U.S.C. § 1930, but subject to any amendments to the Bankruptcy Code made retroactively applicable to this case. After confirmation, the Debtor will submit quarterly operating reports to the United States Trustee, in the format prescribed by the trustee until the case is closed, dismissed or converted and to pay such Administrative Claims to the Office of the United States Trustee as described in the Bankruptcy Code and Rules.

Treatment of Non-Administrative Priority Claims :

1) Amount of Claims

- a) All allowed priority claims will, unless otherwise agreed, be paid in full, in regular monthly installments, over a period of no more than 60 months from the date of the filing of the Equity Owners Bankruptcy Petition (April 7, 2010), with interest as required by applicable state or federal law. The Debtor estimates that there are no claimants in this class.

- b) That portion of any tax due which is a penalty, or non-priority tax, will be treated as a general unsecured claim under Class III, below. Total pre-petition Section 507(a)(8) claims of the Internal Revenue Service are \$0.00 as filed. No other Section 507(a)(8) claims have been filed or are anticipated.

### **VIII. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

All Classified Claims against the Debtor are set forth below, along with the treatment to be afforded each Class.

#### **A. CLASS I – CLAIMS SECURED IN WHOLE OR IN PART BY REAL ESTATE**

##### **(1) CLASS I A: SECURED CLAIMS OF AGSTAR FINANCIAL SERVICES FLPA AND AGSTAR FINANCIAL SERVICES PCA - (“BANK” OR “AGSTAR”)**

Description:

The Debtor is indebted to AgStar as of the Petition Date as follows:

AgStar PCA 42900 Feed Loan-9 month line of credit	\$519,295.14
AgStar PCA 94700 Cattle Revolving Line of Credit – 9 month term	\$4,231,219.83
AgStar PCA #32100 Special Term Note-30 month term	\$1,185,800.37
AgStar PCA #35700 Equipment Loan-36 month term	\$91,249.21
AgStar FLCA New Real Estate Loan #7700371700-180 month term	\$12,000,000.00
"Related Services" (Atty Fees) <sup>7</sup>	\$26,220.35
<b>TOTAL</b>	<b>\$18,053,784.90</b>

In addition to notes evidencing the above-referenced amounts, the Debtor entered into various credit agreements, mortgages and security agreements with AgStar (“The Loan Documents”) referenced in AgStar’s proofs of claim (Claim Numbers. 36 and 37) which are incorporated by reference herein. AgStar’s two entities have parallel first position security interests filed on all of the Debtor’s assets and have a perfected first mortgage in the Debtor’s real estate up to the

<sup>7</sup> AgStar is also entitled to an unspecified additional amount of attorney’s fees for post-petition services. This Plan reserves the right to object to the awarding of these additional fees in whole or in part.

amount of \$8,700,000. The Debtor's real estate is valued at a going-concern value of \$12,000,000.00 and a liquidation value of \$6,400,000. The Debtor's personal property is valued at a going-concern value of \$6,878,146.04 and a liquidation value of \$5,264,648.00. The highest possible value for all of the Debtor's assets is as a going concern value in the amount of \$18,878,146.04. Because at going concern value AgStar is fully secured it is entitled to have a portion of the monthly adequate protection payments being made during the pendency of the Debtor's case be applied to the accrual of interest on its debt. As adequate protection for the secured portion of AgStar's debt the Equity Owners propose that the Debtor apply payments equal to accrued interest AgStar's debt at 4.5% since the Petition Date. AgStar shall therefore apply \$57,701.69 per month from all payments made from the Petition Date until the Effective Date from all payments made during the course of the case as interest on AgStar's fully secured debt. All other adequate protection amounts paid during the course of the case<sup>8</sup> (the "Net Adequate Protection Payments") will be applied to AgStar's loans as follows: first, to Agstar PCA #35700 equipment loan; second, to Agstar PCA #42900 Feed Loan and third, to Agstar loan #32100.

Treatment:

The Equity Owners propose the Debtor pay \$18,053,784.90, plus any allowed additional attorneys fees less the Net Adequate Protection Payments as a secured claim to AgStar. The Net Adequate Protection Payment shall be first applied to any allowed pre-petition or post-petition "Related Services" and then to AgStar's loans as follows: first, to Agstar PCA #35700

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<sup>8</sup> The Debtor, and later the Trustee, have paid \$214,464.76 per month to AgStar. Of this amount, approximately \$96,000.00 per month is being paid to reduce the Debtor's debt to the Veblen East for a feed loan. AgStar in turn should be crediting those funds against Veblen East's debt to AgStar. The remainder of the payments made by the Debtor or the Trustee each month are Adequate Protection payments.

equipment loan; second, to Agstar PCA #42900 Feed Loan and third, to Agstar loan #32100 . AgStar loan 32100 is currently accruing 18% annual interest. AgStar loan 32100 shall be re-written as a 180 month term loan with a stated interest rate as of the Effective Date at 4.5% interest per annum. All other AgStar loans accrue interest at the London Inter Bank Offered Rate plus 3%, which is currently 4.5% per annum. These “LIBOR Plus 3%” loans float with the LIBOR rate and shall be re-written to provide that all such loans accrue interest at 4.5% per annum with the following terms.

AgStar PCA 42900 Feed Loan	180 months
AgStar PCA 94700 Cattle Revolving Line of Credit	180 months
AgStar PCA #35700 Equipment Loan	180 months
AgStar FLCA New Real Estate Loan #7700371700	180 months

AgStar shall retain their mortgages and liens and security interests in the assets of the Debtor as set forth above until the principal balances and all accruing interest of the loans in Class IA are paid in full. As long as the Debtor complies with the payment terms set forth in the Plan, the Debtor shall for all purposes be considered to be current as that term is used in the Loan Documents. Except as otherwise provided herein, all other terms and conditions of any underlying Loan Documents shall remain in full force and effect.

**(2) CLASS I B: SECURED CLAIM OF RURAL ELECTRIC ECONOMIC DEVELOPMENT, INC. (“REED”)**

Description:

In December of 2006, Multi-Community Cooperative Dairy (“MCC Dairy”), a predecessor in interest to the Debtor, entered into a \$1,000,000 loan agreement with Rural Electric Economic Development, Inc. (“REED”) for the erection of a building and additional milking facilities at MCC Dairy’s facilities (the “REED Loan”). The REED Loan was secured

by a mortgage on all of MCC Dairy's real estate in Veblen, South Dakota that was second in priority to the mortgage of the Bank. The mortgage was dated December 12, 2006 and recorded on December 20, 2006, in the Marshall County, South Dakota Register of Deeds office. The REED Loan provides for interest at 6% per annum with a fifteen year (180 month) amortization with a balloon payment after five years (60 months). Payments are \$8,438.57 per month. The REED Loan and mortgage were assigned to the Debtor through a mortgage assignment agreement between REED and the Debtor dated January 29, 2009. The REED mortgage is junior to the first mortgage of Agstar in the amount of \$8,700,000. As of the Petition date, the balance of the REED Loan was \$869,821.24 and the Debtor was current with the payments. The value of the real estate securing the REED loan is \$12,000,000. The Debtor made two regular payments of principal and interest on the REED loan after the Petition Date, but has made no further payments.

Because REED is fully secured it is entitled to have a portion of the post-petition adequate protection payments made during the pendency of the Debtor's case be applied to the accrual of interest on its debt. As adequate protection for the secured portion of REED's debt the Equity Owners propose that the Debtor apply all post-payments to accrued interest since the Petition Date. Reed shall therefore apply \$16,877.14 to the interest that accrued post-petition on its fully secured debt.

Treatment:

Starting on the Effective Date, the Debtor will pay REED'S Secured Debt of \$869,821.24 less the Adequate Protection Payments as a term note interest at 4.5% per annum over the remaining term on the Reed Loan as of the Petition Date with a fifteen year (180 month)

amortization. Unless otherwise provided herein, all other terms and conditions of any underlying Loan Documents shall remain in full force and effect.

**(3) CLASS I C SECURED CLAIM OF VOLVO FINANCIAL SERVICES, A DIVISION OF VFS US LLC (“VFS US LLC”):**

Description:

The Debtor is the obligor on a secured \$24,545.00 October 24, 2009 loan (the “Volvo Note.”) for two skid loaders purchased from VFS US LLC. Under the Volvo Note, the Debtor was required to make twelve (12) monthly payments of \$2,145.36 commencing on November 24, 2009 (“Volvo Loan”). The Debtor is current on its payments under the Volvo Loan and has entered into a Stipulation for use of cash collateral whereby it pays VFS US LLC monthly payments in the amount of \$2,145.36 during the bankruptcy case. VFS US LLC is oversecured as to the Equipment.

Treatment:

The Volvo Loan will be paid according to its terms whereby the Debtor will complete payment of the monthly Volvo Loan payments through September of 2010. All terms of the Volvo Loan shall remain in place. The Claim of VFS US LLC is unimpaired.

**B. CLASS II – CLAIMS SECURED SOLELY BY EQUIPMENT-CAPITAL LEASES**

- Class II A: Secured Claims of Caterpillar Financial Services Corp.- (“Caterpillar”)
- Class II B: Secured Claims of Mid America Leasing Company- (“Mid-America”)
- Class II C: Secured Claims of Trinity Leasing- (“Trinity”)
- Class II D: Secured Claims of Wells Fargo Leasing- (“Wells Fargo”)
- Class II E: Secured Claims of Northland Capital Cooperative Services – (“Northland Capital”)



Description:

Class II consists of claims of companies financing equipment purchased by the Debtor through capital leases. As of the Petition Date, the Debtor was current on all Class II claims.

Treatment:

All equipment being purchased prior to the Petition Date by the Debtor through Class II Claimants (the "Equipment") will be assumed by the Debtor or assumed and assigned by the Debtor to Vista Dairies. Any payments made during the case to Class II claimants after the Petition Date will be credited to the principal on the individual finance contracts ("Contracts"). Unless otherwise described differently below, the Equity Owners propose that the Debtor will refinance the equipment by deducting from each Contract the amount equal to the principal that the Debtor or Trustee paid from the Petition Date to the Effective Date ("Adequate Protection Payments") and adding the number of months from the Petition Date to the Effective date to the end of the Contract. Payments on the reformed contracts will be at the same monthly payment amounts as set forth in the original Contracts. Interest shall accrue from the Effective Date at the same rate as in the Contracts.

The Class II Claimants shall retain a lien and security interest in the Equipment, as set forth above until the principal balances and all accruing interest are paid in full. Except as provided herein, all other terms and conditions of any Contract shall remain in full force and effect.

**(1) CLASS II A: SECURED CLAIMS OF CATERPILLAR FINANCIAL SERVICES CORP.-("CATERPILLAR")**

The Debtor owes \$468,051.00 to Caterpillar as a result of a series of leases for nine pieces of equipment used in its dairy business (see chart below). The total payments owed on account of capital leases from Caterpillar are \$15,801.03 per month. After any adjustments in the principal

amount due under the lease(s) for adequate protection payments made prior to the Effective Date, the Equity Owners propose the Debtor will continue to pay on all the lease(s) as stated above and purchase the equipment for the amount set forth in the leases (\$1.00) at the end of the term.

<b>Equipment</b>	<b>Total Debt</b>	<b>Interest Rate</b>	<b>Months Remaining</b>	<b>Monthly Payment</b>
CAT-924G-DDA02936	\$49,463	6.00%	19	\$2,730.40
CAT-TH460B-SLF01737	\$73,475	7.64%	38	\$2,182.87
CAT 236B2-HEN08351	\$25,344	4.50%	16	\$1,635.74
CAT 246C-JAY02754	\$33,130	5.75%	30	\$1,206.39
CAT 246C-JAY02855	\$33,130	5.75%	30	\$1,206.39
CAT 3412-DJN00988	\$83,873	8.00%	77	\$1,395.46
CAT C-15-C5E01644	\$93,095	4.82%	60	\$1,752.18
CAT GLGP-TLX01011D	\$38,037	6.18%	19	\$2,106.59
CAT246C-JAY02642	\$38,504	2.66%	25	\$1,585.01
<b>TOTAL</b>	<b>\$468,051</b>			<b>\$15,801.03</b>

**(2) CLASS II B: SECURED CLAIMS OF MID AMERICA LEASING COMPANY-  
("MID AMERICA")**

The Debtor owes \$16,672.41 to Mid-America as a result of execution of two leases dated in June and August, 2007 for equipment used in its dairy business (see chart below). The total payments owed on the Mid-America capital lease are \$979.89 per month. After any adjustments in the principal amount due under the lease(s) for adequate protection payments made prior to the Effective Date, the Equity Owners propose the Debtor will continue to pay on all the lease(s) as stated above and purchase the equipment for the amount set forth in the leases (\$1.00) at the end of the term.

<b>Equipment</b>	<b>Total Debt</b>	<b>Interest Rate</b>	<b>Months Remaining</b>	<b>Monthly Payment</b>
Kuhn Rake Model GA7301 S/N: D1390				
1 2008 Wilson 7x30 Trailer Vin: W1D4BREX8H535663	16,672.41		14	979.89

**(3) CLASS II C: SECURED CLAIMS OF TRINITY LEASING-(“TRINITY”)**

The Debtor owes approximately \$700.00 to Trinity as a result of execution of a lease dated September 10, 2008 for a washing machine used in its dairy business. The total payments amount owed to Trinity are \$345.92 per month. After any adjustments in the principal amount due under the lease(s) for adequate protection payments made prior to the Effective Date, the Equity Owners propose the Debtor will continue to pay on all the lease(s) as stated above and purchase the equipment for the amount set forth in the leases (\$1.00) at the end of the term.

<b>Equipment</b>	<b>Total Debt</b>	<b>Interest Rate</b>	<b>Months Remaining</b>	<b>Monthly Payment</b>
Washing Machine			2	345.92

**(4) CLASS II D: SECURED CLAIMS OF WELLS FARGO LEASING-(“WELLS FARGO”)**

The Debtor owes approximately \$2,500.00 to Wells Fargo as a result of execution of a lease dated September 28, 2008 for equipment used in its dairy business (see chart below). The total payments amount owed to Wells Fargo are \$2,242.41 per month. After any adjustments in the principal amount due under the lease(s) for adequate protection payments made prior to the Effective Date, the Equity Owners propose the Debtor will continue to pay on all the lease(s) as stated above and purchase the equipment for the amount set forth in the leases (\$1.00) at the end of the term.

<b>Equipment</b>	<b>Total Debt</b>	<b>Interest Rate</b>	<b>Months Remaining</b>	<b>Monthly Payment</b>
Feeding Equipment				
Headlocks and Stalls			2	2,242.41

**(5) CLASS II E: SECURED CLAIM OF NORTHLAND CAPITAL COOPERATIVE SERVICES LLC (“NORTHLAND CAPITAL”)**

The Debtor owes \$16,516.12 to Northland Capital as a result of execution of a lease dated August 10, 2006 for equipment used in its dairy business (see chart below). The total payments amount owed to Northland Capital are \$878.65 per month. After any adjustments in the principal amount due under the lease(s) for adequate protection payments made prior to the Effective Date, the Equity Owners propose the Debtor will continue to pay on all the lease(s) as stated above and purchase the equipment for the amount set forth in the leases (\$1.00) at the end of the term.

<b>Equipment</b>	<b>Total Debt</b>	<b>Interest Rate</b>	<b>Months Remaining</b>	<b>Monthly Payment</b>
1 2003 Meyer Vertical Screw Manure Spreader S/N:STO68500285				
1 2007 Delta Flatbed Trailer, S/N: 4MWFS32297N019155				
1 2007 Delta Flatbed Trailer, S/N: 4MWFS32277N019171	16,513.12	10%??	13	878.65

**C. CLASS III: GENERAL UNSECURED CLAIMS-CONVENIENCE CLASS**

This class shall consist of Allowed Unsecured Claims not entitled to priority where the total of the allowed claim does not exceed \$3,000.00. Any unsecured creditor whose claim exceeds \$3,000.00 may elect this treatment by voting in the Plan to be treated as a Class III creditor by electing to reduce the creditor’s total claim to \$3,000.00. The holders of Class III claims shall be paid their Allowed Claims as follows:

**Treatment:**

The holders of Class III Allowed Claims will be paid a total of 100% of their claims ninety days after the Effective Date. Such payments shall be in full satisfaction of each Allowed

Unsecured Claim. The Equity Owners estimate that there is approximately \$34,000 in claims in Class III.

**D. CLASS IV: GENERAL UNSECURED CLAIMS-INSIDERS**

This class shall consist of Allowed Unsecured Claims not entitled to priority held by insiders of the Debtor. The Equity Owners estimates that there are 38 creditors in Class IV holding unsecured claims valued at \$6,423,163.00.

Treatment:

**CLASS IV ALLOWED CLAIMS WILL BE CONVERTED AS A GROUP TO A 50% OWNERSHIP INTEREST IN THE DEBTOR IN FULL SATISFACTION OF EACH ALLOWED CLASS IV CLAIM. THE ADDITION OF CLASS IV CLAIMS TO THE MEMBERSHIP OF THE DEBTOR WILL DILUTE THE PERCENTAGES OF THE CURRENT GENERAL PARTNERS OF THE DEBTOR, WHO ARE CLASS VI CLAIMANTS. CLASS IV CONTAINS THE CLAIMS OF VEBLEN EAST DAIRY AND FIVE STAR DAIRY. THOSE ENTITIES ARE IN SEPARATE CHAPTER 11 PROCEEDINGS. THE CONVERSION OF THEIR DEBT INTO EQUITY IS SUBJECT TO APPROVAL OF THE BANKRUPTCY COURT IN EACH OF THOSE OTHER BANKRUPTCY CASES. IF THE CONVERSION OF THE DEBT IS NOT APPROVED IN EITHER OF THE TWO CHAPTER 11 CASES, THE DEBT OF THE ENTITY OR ENTITIES THAT DOES NOT APPROVE THE CONVERSION SHALL BE PAID AS A CLASS VI CREDITOR.**

**E. CLASS V: GENERAL UNSECURED CLAIMS**

This class shall consist of Allowed Unsecured Claims not entitled to priority and not treated in any other class in the Plan, including the unsecured portion of any secured claim. The

holders of general unsecured claims shall be paid their Allowed Claims over time, and treated as follows:

Treatment:

The holders of Class V Allowed Claims will be paid their Pro-Rata share of all funds available to the Debtor after paying general operating expenses and all Plan payments of unclassified, Class I, II and III claims. Payments on unclassified and Class I, II and III Claims will be made monthly until paid in full. The payments for unsecured claims will be made quarterly starting with the first quarter after all unclassified, Class I, II, and III claims have been paid in full. Payments shall be made within thirty (30) days of the end of each succeeding quarter until the payment of the Claims of Class V are paid in full. The Equity Owners estimate that it will take 48 quarters to pay said claims in full. The unsecured creditors in Class V shall be paid 100% of their allowed claims. Such payments shall be in full satisfaction of each Allowed Unsecured Claim. The Equity Owners estimate that there is approximately \$1,500,000.00 of debt in the unsecured Class V Claims, not including objectionable claims. Any addition to the claims pool for Class V will decrease the net pay out per Class V claimant for each quarterly payment and will increase the amount of time that the payments will be made to Class V claimants.

**F. CLASS VI: EQUITY INTERESTS**

This class shall consist of the allowed ownership interests of the Debtor by its 38 limited partners.

Treatment:

All limited partners shall remain as owners of the Debtor, as diluted by the ownership interests awarded Class IV Claimants as follows

Ownership by Partners		% Ownership- Prior to Dilution (Class VI Claim)	Debt listed on Schedule F/Proof of Claim (Class IV Claim)	Owner Percentage for All Class IV Unsecured Creditors Converting to Equity	All Owners percentage Ownership after Class IV dilution
Anderson	Aaron	5.2169%			2.6084%
Baldwin	Duayne	4.4627%	\$133,189	1.0368%	3.2681%
Bien, Ltd.	Boyd or Kathie Bien	0.1352%			0.0676%
Christensen	Curtis	0.1967%			0.0983%
Grobe	Norm	0.0346%			0.0173%
Haaland	Ron	0.4932%			0.2466%
Herman	Rick	0.0231%			0.0115%
Hill	Jorden	6.8576%			3.4288%
Hill	Jay	0.9351%			0.4676%
Hofland	Rick	0.0225%			0.0113%
Hornseth	Neal	0.0346%			0.0173%
Medhaug	Jason	0.0225%	\$13,086	0.1019%	0.1131%
Medhaug	Doug	0.0225%			0.0113%
Millner	Farms	1.3142%	\$78,555	0.6115%	1.2686%
Millner	Rick	15.2408%	\$185,966	1.4476%	9.0680%
Nelson	Jerry	0.0225%			0.0113%
O'Brien	Elaine & Carrie	0.2071%			0.1035%
Pherson	Lenny	8.7977%			4.3988%
Pherson	Denny	12.8590%			6.4295%
Prairie Ridge Mgmt Co LLC		1.2414%	\$1,181,700.00	9.1987%	9.8194%
Rein	Renae	0.0231%			0.0115%
Rhoades	Pauline	0.0231%			0.0115%
Rinke	Brian	0.5031%			0.2515%
Rinke	Joel	0.9909%			0.4954%
Rinke	Orlyn	1.1860%			0.5930%
Rinke	Steve	0.9909%			0.4954%
Schumacher	Larry Estate	0.4424%			0.2212%
Viessman	Wayne	6.2035%	\$185,966	1.4476%	4.5494%
Viessman	Doug	5.1829%			2.5914%
Viessman	David	5.2236%			2.6118%
Viessman	Randy	5.3772%			2.6886%
Viessman	Terry	5.2236%			2.6118%
Vig	David	0.3687%			0.1843%
Williamson	Mark	0.1352%			0.0676%
Wyum	Michael	6.6880%	\$173,927	1.3539%	4.6979%
Wyum	Trust	2.1564%			1.0782%
Wyum	Steve	0.5738%	\$141,927	1.1048%	1.3917%
Wyum	Mark	0.5678%	\$141,927	1.1048%	1.3887%
<b>TOTAL</b>		<b>100.00%</b>			

<b>Additional Non-Shareholder Insiders (Additional Class IV Claimants)</b>		<b>% Owners hip- Prior to Dilution</b>	<b>Debt listed on Schedule F/Proof of Claim (Class IV Claim)</b>	<b>Owner Percentage for All Class IV Claimants Converting to Equity</b>	<b>All Owners percentage Owners hip after Class IV dilution</b>
Cliff Viessman, Inc.		0%	\$474,278	3.6919%	3.6919%
CMP Dairy Consulting, LLC		0%	\$7,000	0.0545%	0.0545%
CR Concrete Inc.		0%	\$628,862	4.8953%	4.8953%
Five Star Dairy		0%	\$357,605	2.7837%	2.7837%
Hill Grain Farms		0%	\$261,386	2.0347%	2.0347%
Jacobson Transport		0%	\$636	0.0050%	0.0050%
Jacobson Transport		0%	\$199,145	1.5502%	1.5502%
Millner	Jill	0%	\$2,229	0.0174%	0.0174%
New Horizon Dairy*		0%	\$326,336	2.5403%	2.5403%
Pherson Farms		0%	\$300,145	2.3364%	2.3364%
Rinke Farms		0%	\$216,455	1.6850%	1.6850%
Shortfoot Calf Ranch Inc.		0%	\$43,618	0.3395%	0.3395%
Stockmen's Supply		0%	\$19,161	0.1492%	0.1492%
Veblen East*		0%	\$1,119,064	8.7112%	8.7112%
Viessman Trucking		0%	\$231,000	1.7982%	1.7982%
<b>TOTAL</b>			<b>\$6,423,163.00</b>	<b>50%</b>	<b>100%</b>

\*Conversion of Debt of Five Star Dairy and Veblen East Subject to Court Approval. If not approved, debt would be paid as unsecured debt in Class IV.

#### **IX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Attached to the Plan and marked as Exhibit B is a list of the executory contracts and leases to which the Debtor is a party. As to each such contract or lease, the exhibit indicates whether the Debtor has assumed the lease, entered into a new or replacement lease, or has or intends to reject or assume the lease or contract pursuant to this Plan. The Equity Owners may file any amendments to the list of leases or contracts it intends to reject, assume, or assume and assign up until twenty (20) days prior to confirmation of the Plan. If any executory contracts or leases are not listed on Exhibit B to the Plan, said lease or contract shall be deemed rejected, if not previously rejected, as of the Confirmation Date.



Unless otherwise ordered by the Court, a party to a rejected lease under the Plan shall have 30 days following the Confirmation Date to file a proof of claim for any damages incurred because of the rejection, if any. The Trustee shall, thereafter, have 15 days to file an objection to any such proofs of claim.

Unless otherwise ordered by the Court, any party holding an Administrative Claim, which has received a copy of this Plan, shall have 30 days following the confirmation date to file a request for payment of administrative expenses pursuant to the applicable provisions of the Bankruptcy Code and Rules. Failure to file such a request in a timely manner shall be deemed a waiver of the claim and the Debtor shall not be obligated to pay such claim.

#### **X. MEANS OF EXECUTION OF THE PLAN**

The funds necessary to make the payments required by the plan will come primarily from the proceeds of a facility lease between the Debtor and Vista Family Dairies L.L.C. (“Vista Dairies”). Vista Dairies, a South Dakota limited liability corporation located in Veblen, SD, was formed for the purpose of acquiring the debtor’s dairy herd and leasing the Debtor’s dairy facilities and equipment. Vista Dairies intends on operating the dairy operation and making monthly lease payments to the Debtor in the amount of \$140,000.00. Vista Dairies members are Robert Jameson, Jeff Topp, Wayne Viessman, Doug Viessman, Randy Viessman, David Viessman, Terry Viessman, Michael Wyum, Mark Wyum, Dennis Pherson, Jordan Hill, Jay Hill, Aaron Anderson and Rick Millner. It is anticipated that additional members will be added to Vista Dairies including several unsecured creditors of Veblen East.

The Debtor’s management team, or a third-party agent of the Debtor, after confirmation, will manage its affairs and all of its Assets, and will collect lease payments and disburse funds, serving as required as disbursing agent. The Debtor will be responsible for operating the

business, paying expenses and making distributions to creditors as set forth in the Plan. The Debtor will provide or pay out of operating funds for all of its administrative expenses and business debts in the ordinary course of business, according to the Plan.

Attached to the Disclosure Statement and marked as **Exhibit E** are projections prepared by the Equity Owners. If the Equity Owners' Plan is confirmed, the Equity Owners are confident of the Debtor's ability to meet or exceed these projections and perform as set forth under the Plan.

The financial strength of Vista Dairies as demonstrated in the financial projections attached to this Disclosure Statement as **Exhibit E** enhance the feasibility of the Plan and its likelihood of success.

#### **XI. ALTERNATIVES TO THE PLAN OF REORGANIZATION**

The Equity Owners believe strongly that acceptance of the Plan is in the best interest of the Debtor's creditors. Based upon the financial projections discussed above, the Equity Owners believe it can offer more to unsecured claimants than under a liquidation scenario, in which the Debtor's assets are returned to the primary secured creditors, and other priority claimants. If liquidation were to occur, only secured claimants would receive anything and unsecured creditors would receive nothing. Liquidation of the Debtor's bankruptcy estate is evaluated on **Exhibit F** attached to this Disclosure Statement.

#### **XII. OWNERSHIP INTERESTS AND MANAGEMENT FOLLOWING CONFIRMATION**

On the Effective Date, the Limited Partners will be the total of the Class IV and Class VI claimants (see above). Michael Wyum, or a third-party agent of the Debtor, will be the Managing Partner and will serve without compensation. No other Limited Partner will be compensated by the Debtor.

**CONCLUSION**

As noted above, the Equity Owners believe that acceptance of the Plan is in the best interest of all parties. The Equity Owners request that each holder of a claim or interest complete the ballot and accept the proposed Plan.

Respectfully submitted,

Dated: October 5, 2010

By: /s/ Rick Millner  
Authorized Representative

Dated: October 5, 2010

/s/ Bryant D. Tchida

Robert T. Kugler, admitted *pro hac vice*

Bryant D. Tchida

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**EXHIBIT A TO DISCLOSURE STATEMENT**

**PLAN**

**See Attached**

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

In re:	)	
	)	Bankr. No. 10-10071
Veblen West Dairy LLP	)	Chapter 11
Tax ID/EIN 26-2017850	)	
	)	
Debtor.	)	

**PLAN OF REORGANIZATION  
OF  
CERTAIN EQUITY OWNERS OF VEBLLEN WEST DAIRY LLP**

**October 5, 2010**

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**ATTORNEYS FOR CERTAIN EQUITY OWNERS OF  
VEBLLEN WEST DAIRY LLP**

**TABLE OF CONTENTS**

**ARTICLE I. INTRODUCTION .....1**

**ARTICLE II. DEFINITIONS .....2**

**ARTICLE III. SUMMARY OF PLAN FUNDING .....4**

**ARTICLE IV. SUMMARY OF POST-PETITION MANAGEMENT .....4**

**ARTICLE V. UNCLASSIFIED CLAIMS .....5**

**ARTICLE VI. IMPAIRMENT OF CLASSES OF CLAIMS AND INTERESTS UNDER THE PLAN .....14**

**ARTICLE VII. GENERAL PROVISIONS .....14**

**ARTICLE VIII. MEANS OF EXECUTION OF PLAN AND FEASIBILITY .....16**

**ARTICLE IX. EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND ADMINISTRATIVE CLAIMS .....16**

**ARTICLE X. ALTERNATIVES TO THE PLAN OF REORGANIZATION .....17**

**ARTICLE XI. MODIFICATION OF THE PLAN .....18**

**ARTICLE XII. CONTINUING JURISDICTION OF THE BANKRUPTCY COURT .....18**

**ARTICLE XIII. CONTESTED CLAIMS.....18**

**ARTICLE XIV. RESERVATION OF ALL RIGHTS, CLAIMS, ACTIONS .....19**

**ARTICLE XV. DISCHARGE, RELEASE AND EFFECT OF CONFIRMATION .....19**

**ARTICLE XVI. MISCELLANEOUS PROVISIONS.....20**

## ARTICLE I.

### INTRODUCTION

On April 7, 2010, Veblen West Dairy LLP (the “Debtor”), filed a petition in this Court for reorganization (“Petition”) under Chapter 11 of the U.S. Bankruptcy Code (the “Code”). Shortly thereafter, on April 16, 2010, the Debtor’s largest secured creditors, AgStar Financial Services, FLCA and AgStar Financial Services, PCA filed a motion for the appointment of a Chapter 11 operating trustee (“Trustee Motion”), which was heard by the Court during an evidentiary hearing on May 10, 2010, May 25, 2010, and June 4, 2010, and then taken under advisement shortly thereafter. During the first three months of the Debtor’s bankruptcy case, the Debtor operated its business as a debtor in possession under Section 1107 of the Code and on July 14, 2010, the Debtor filed a plan of reorganization. On July 16, 2010, the Court entered an order granting the Trustee Motion and on July 28, 2010, the Court entered an order approving the appointment of Forrest C. Allred as the Chapter 11 trustee of the Debtor’s bankruptcy estate (“Trustee”).

At this time, the Trustee has not moved forward with the Debtor’s plan of reorganization or any other proposed plan for reorganization. Rather, on September 27, 2010, the Trustee filed a motion to sell free and clear of liens by in-court auction substantially all of the Debtor’s assets (“Motion to Sell Assets”), except those assets specifically described in the Motion to Sell Assets, and a motion to reduce notice of the Motion to Sell Assets. The Court scheduled the hearing on the Motion to Sell Assets for October 8, 2010.

Pursuant to 11 U.S.C. § 1121(c), fifteen (15) members of Veblen West Dairy LLP that hold over 83% of the ownership interests of the Debtor (collectively, the “Equity Owners”)



hereby propose as the plan proponent the following plan of reorganization of the Debtor's assets (the "Plan") pursuant to the United States Bankruptcy Code, Title 11 of the United States Code.

## **ARTICLE II.**

### **DEFINITIONS**

For the purposes of this Plan, the following terms shall have the respective meanings hereinafter set forth. Any terms contained in this Plan that are not specifically defined shall have the meaning provided for in the Bankruptcy Code, unless the context otherwise requires.

"AgStar" means collectively AgStar Financial Services, FLCA and AgStar Financial Services, PCA, the Debtor's largest secured creditors.

"Allowed Claim" means any claim that is deemed allowed unless a party in interest objects as provided in 11 U.S.C. § 502.

"Confirmation Date" means the date of entry of an order confirming the Equity Owners Plan.

"Debtor" means Veblen West Dairy, LLP, a limited liability partnership organized under the laws of South Dakota ("Veblen West").

"Effective Date" means the thirtieth business day following the filing date of the final order confirming this Plan.

"Equity Owners" means the collective fifteen (15) members of Veblen West Dairy LLP that hold over 83% of the ownership interests of Veblen West Dairy LLP. The fifteen members are Aaron Anderson, Duayne Baldwin, Jordan Hill, Jay Hill, Rick Millner, Denny Pherson, Wayne Viessman, Doug Viessman, David Viessman, Randy Viessman, Terry Viessman, Michael Wyum, Wyum Trust, Steve Wyum, and Mark Wyum.

“Facilities” means the Veblen West Dairy LLP dairy operation facilities, which includes the Debtor’s real property located in Marshall County, South Dakota; the Debtor’s tangible personal property (excluding the dairy cows); leased personal property; and intangible personal property.

“Facilities Lease” means the lease between the Equity Owners and Vista Family Dairies L.L.C. for the Veblen West Dairy LLP Facilities, which the Equity Owners will assign to the Debtor. A draft of the term sheet for the Facilities Lease is attached hereto as **Exhibit A**.

“Facilities Rent” means the monthly rent required under the Facilities Lease.

“Interest” means the equity interest of any shareholder in the Debtor.

“Petition Date” means April 7, 2010, the date that Veblen West Dairy LLP filed a petition in this Court for reorganization under Chapter 11 of the U.S. Bankruptcy Code.

“Plan” means this Chapter 11 plan of reorganization and any amendments, or modifications thereto.

“Plan Proponent” means the Equity Owners as proponents of this proposed Chapter 11 plan of reorganization and any amendments, or modifications thereto.

“Pro Rata Share” means, as to a claimant, the amount determined by multiplying the total amount of the Equity Owners’ payment to a particular class by a fraction, the numerator of which is the amount of the claimant’s allowed claim and the denominator of which is the total amount of all allowed claims in that class.

“Trustee” means Forrest C. Allred as the Chapter 11 trustee of the Debtor’s bankruptcy estate, appointed by the Bankruptcy Court’s order dated July 28, 2010.

“Vista Dairies” means Vista Family Dairies L.L.C., a South Dakota limited liability corporation.

### **ARTICLE III.**

#### **SUMMARY OF PLAN FUNDING**

The Equity Owners' Plan will be funded by a number of income streams. First, the Equity Owners propose the sale of approximately 3,600<sup>1</sup> of the Debtor's dairy cows for \$800.00 per head for an approximate total sale price of \$2,880,000.00 to Vista Dairies. Second, the Equity Owners propose that the Debtor lease the Veblen West Facilities to Vista Dairies for a monthly rental fee of \$140,000.00. The Facilities Rent will be sufficient to pay both the Debtor's secured and unsecured Allowed Claims as provided in Article VI of this Plan. Third, Vista Dairies will be responsible for the two annual payments of the Debtor's real estate taxes. Fourth, upon the execution of the Facilities Lease, Vista Dairies will pay in advance three months of Facilities Rent as a cushion in the event of any default under the Facilities Lease. Fifth, AgStar will retain its lien rights in all of its prepetition collateral other than the dairy cows. Sixth, Vista Dairies will grant AgStar an assignment of the milk from Vista Dairies' dairy cows. The cash flow generated pursuant to the provisions of this Plan will be sufficient to pay the Debtor's creditors as provided for in this Plan.

### **ARTICLE IV.**

#### **SUMMARY OF POST-PETITION MANAGEMENT**

Upon the Effective Date of the Plan, the management of the Debtor will be reinstated and the Debtor, or a third-party agent of the Debtor, will resume control of the Debtor's day-to-day affairs and all of its Assets, and will disburse funds and carry-out most of the provisions of the Plan. The Trustee will remain in control of the bankruptcy-related matters of the Debtor's estate. Specifically, the Trustee will continue examining claims for determination as to allowed claim

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<sup>1</sup> The number of dairy cows changes every day.

amounts and pursue claim objections, including any inter-company claims, and pursue adversary proceedings, including but not limited to any preference actions, actions to subordinate claims, and fraudulent transfer claims.

## ARTICLE V.

### UNCLASSIFIED CLAIMS

#### Unclassified Claims

Unclassified Claims include:

- (a) All fees payable, including quarterly fees payable to the United States Trustee and any court fees, as required under 28 U.S.C. § 1930(a)(6). As of the date hereof, these fees are current.
- (b) Post-petition Claims, incurred in the ordinary course of the Debtor's business other than those listed in paragraph c and d below. These post-petition payments are current.
- (c) Allowed Priority Expense Claims, except as otherwise classified herein, including:
  - (1) Allowed administrative expense fees and expenses of counsel for the Debtor and accountants for the Debtor pursuant to 11 U.S.C. § 503(b) as well as any other professionals hired by the Debtor and whose retention and fees have been or will be approved by the Court.
  - (2) Administrative Claims of taxing authorities for post-petition taxes under 11 U.S.C. § 507(a)(2) and 503(b). The post-petition taxes are current.
  - (3) Claims of taxing authorities for pre-petition taxes entitled to priority by reason of 11 U.S.C. § 507(a)(8). The pre-petition taxes are current.

#### Treatment of Administrative Priority Claims:

The foregoing Allowed Administrative Claims will be satisfied by payment in full on the Effective Date, to the extent not otherwise paid in the ordinary course of business as the same become due or as agreed upon by a particular Claimant. The Debtors will continue to pay all fees payable, including quarterly trustee fees, and any other court fees, that come due until the Chapter 11 case is closed, converted or dismissed, as required by 28 U.S.C. § 1930, but subject

to any amendments to the Bankruptcy Code made retroactively applicable to this case. After confirmation, the Debtor will submit quarterly operating reports to the United States Trustee, in the format prescribed by the trustee until the case is closed, dismissed or converted.

Treatment of Non-Administrative Priority Claims :

1) Amount of Claims

- a) All allowed priority claims will, unless otherwise agreed, be paid in full, in regular monthly installments, over a period of no more than 60 months from the date of the filing of the Debtor’s Bankruptcy Petition (April 7, 2010), with interest as required by applicable state or federal law.
- b) That portion of any tax due which is a penalty, or non-priority tax, will be treated as a general unsecured claim under Class III, below. Total pre-petition Section 507(a)(8) claims of the Internal Revenue Service are \$0.00 as filed.

**CLASSIFICATION AND TREATMENT  
OF CLAIMS AND INTERESTS**

All Classified Claims against the Debtors are set forth below, along with the treatment to be afforded each Class.

**Classified Claims and Interests**

**1. Class I – Claims Secured in Whole or In Part by Real Estate**

- a. **Class I A: Secured Claims of AgStar Financial Services FLPA and AgStar Financial Services PCA-(“Bank” or “AgStar”)**

Description:

The Debtor is indebted to AgStar as of the Petition Date as follows:

AgStar PCA 42900 Feed Loan-9 month line of credit	\$519,295.14
AgStar PCA 94700 Cattle Revolving Line of Credit – 9 month term	\$4,231,219.83

AgStar PCA #32100 Special Term Note-30 month term	\$1,185,800.37
AgStar PCA #35700 Equipment Loan-36 month term	\$91,249.21
AgStar FLCA New Real Estate Loan #7700371700-180 month term	\$12,000,000.00
"Related Services" (Atty Fees) <sup>2</sup>	\$26,220.35
<b>TOTAL</b>	<b>\$18,053,784.90</b>

In addition to notes evidencing the above-referenced amounts, the Debtor entered into various credit agreements, mortgages and security agreements with AgStar (“The Loan Documents”) referenced in AgStar’s proofs of claim (Claim Numbers. 36 and 37) which are incorporated by reference herein. AgStar’s two entities have parallel first position security interests filed on all of the Debtor’s assets and have a perfected first mortgage in the Debtor’s real estate up to the amount of \$8,700,000. The Debtor’s real estate is valued at a going-concern value of \$12,000,000.00 and a liquidation value of \$6,400,000. The Debtor’s personal property is valued at a going-concern value of \$6,878,146.04 and a liquidation value of \$5,264,648.00. The highest possible value for all of the Debtor’s assets is as a going concern value in the amount of \$18,878,146.04. Because at going concern value AgStar is fully secured it is entitled to have a portion of the monthly adequate protection payments being made during the pendency of the Debtor’s case be applied to the accrual of interest on its debt. As adequate protection for the secured portion of AgStar’s debt the Equity Owners propose that the Debtor apply payments equal to accrued interest AgStar’s debt at 4.5% since the Petition Date. AgStar shall therefore apply \$57,701.69 per month from all payments made from the Petition Date until the Effective Date from all payments made during the course of the case as interest on AgStar’s fully secured

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<sup>2</sup> AgStar is also entitled to an unspecified additional amount of attorney’s fees for post-petition services. This Plan reserves the right to object to the awarding of these additional fees in whole or in part.

debt. All other adequate protection amounts paid during the course of the case<sup>3</sup> (the “Net Adequate Protection Payments”) will be applied to AgStar’s loans as follows: first, to Agstar PCA #35700 equipment loan; second, to Agstar PCA #42900 Feed Loan and third, to Agstar loan #32100.

Treatment:

The Equity Owners propose the Debtor pay \$18,053,784.90, plus any allowed additional attorneys fees less the Net Adequate Protection Payments as a secured claim to AgStar. The Net Adequate Protection Payment shall be first applied to any allowed pre-petition or post-petition “Related Services” and then to AgStar’s loans as follows: first, to Agstar PCA #35700 equipment loan; second, to Agstar PCA #42900 Feed Loan and third, to Agstar loan #32100 . AgStar loan 32100 is currently accruing 18% annual interest. AgStar loan 32100 shall be re-written as a 180 month term loan with a stated interest rate as of the Effective Date at 4.5% interest per annum. All other AgStar loans accrue interest at the London Inter Bank Offered Rate plus 3%, which is currently 4.5% per annum. These “LIBOR Plus 3%” loans float with the LIBOR rate and shall be re-written to provide that all such loans accrue interest at 4.5% per annum with the following terms.

AgStar PCA 42900 Feed Loan	180 months
AgStar PCA 94700 Cattle Revolving Line of Credit	180 months
AgStar PCA #35700 Equipment Loan	180 months
AgStar FLCA New Real Estate Loan #7700371700	180 months

<sup>3</sup> The Debtor, and later the Trustee, have paid \$214,464.76 per month to AgStar. Of this amount, approximately \$96,000.00 per month is being paid to reduce the Debtor’s debt to the Veblen East for a feed loan. AgStar in turn should be crediting those funds against Veblen East’s debt to AgStar. The remainder of the payments made by the Debtor or the Trustee each month are Adequate Protection payments.

AgStar shall retain their mortgages and liens and security interests in the assets of the Debtor as set forth above until the principal balances and all accruing interest of the loans in Class IA are paid in full. As long as the Debtor complies with the payment terms set forth in the Plan, the Debtor shall for all purposes be considered to be current as that term is used in the Loan Documents. Except as otherwise provided herein, all other terms and conditions of any underlying Loan Documents shall remain in full force and effect.

**b. Class I B: Secured Claim of Rural Electric Economic Development, Inc.  
("REED")**

Description:

In December of 2006, Multi-Community Cooperative Dairy ("MCC Dairy"), a predecessor in interest to the Debtor, entered into a \$1,000,000 loan agreement with Rural Electric Economic Development, Inc. ("REED") for the erection of a building and additional milking facilities at MCC Dairy's facilities (the "REED Loan"). The REED Loan was secured by a mortgage on all of MCC Dairy's real estate in Veblen, South Dakota that was second in priority to the mortgage of the Bank. The mortgage was dated December 12, 2006 and recorded on December 20, 2006, in the Marshall County, South Dakota Register of Deeds office. The REED Loan provides for interest at 6% per annum with a fifteen year (180 month) amortization with a balloon payment after five years (60 months). Payments are \$8,438.57 per month. The REED Loan and mortgage were assigned to the Debtor through a mortgage assignment agreement between REED and the Debtor dated January 29, 2009. The REED mortgage is junior to the first mortgage of Agstar in the amount of \$8,700,000. As of the Petition date, the balance of the REED Loan was \$869,821.24 and the Debtor was current with the payments. The value of the real estate securing the REED loan is \$12,000,000. The Debtor made two regular



payments of principal and interest on the REED loan after the Petition Date, but has made no further payments.

Because REED is fully secured it is entitled to have a portion of the post-petition adequate protection payments made during the pendency of the Debtor's case be applied to the accrual of interest on its debt. As adequate protection for the secured portion of REED's debt the Equity Owners propose that the Debtor apply all post petition payments to accrued interest since the Petition Date. Reed shall therefore apply \$16,877.14 to the interest that accrued post-petition on its fully secured debt.

**Treatment:**

Starting on the Effective Date, the Debtor will pay REED'S Secured Debt of \$869,821.24 less the Adequate Protection Payments as a term note interest at 4.5% per annum over the remaining term on the Reed Loan as of the Petition Date with a fifteen year (180 month) amortization. Unless otherwise provided herein, all other terms and conditions of any underlying Loan Documents shall remain in full force and effect.

**c. Class I. C. Secured Claim of Volvo Financial Services, a division of VFS US LLC ("VFS US LLC"):**

Description:

The Debtor is the obligor on a secured \$24,545.00 October 24, 2009 loan (the "Volvo Note.") for two skid loaders purchased from VFS US LLC. Under the Volvo Note, the Debtor was required to make twelve (12) monthly payments of \$2,145.36 commencing on November 24, 2009 ("Volvo Loan"). The Debtor is current on its payments under the Volvo Loan and has entered into a Stipulation for use of cash collateral whereby it pays VFS US LLC monthly payments in the amount of \$2,145.36 during the bankruptcy case. VFS US LLC is oversecured as to the Equipment.

Treatment:

The Volvo Loan will be paid according to its terms whereby the Debtor will complete payment of the monthly Volvo Loan payments through September of 2010. All terms of the Volvo Loan shall remain in place. The Claim of VFS US LLC is unimpaired.

**2. Class II: Claims Secured by Equipment-Capital Leases.**

- Class II A: Secured Claims of Caterpillar Financial Services Corp.-("Caterpillar")
- Class II B: Secured Claims of Mid America Leasing Company-("Mid-America")
- Class II C: Secured Claims of Trinity Leasing-("Trinity")
- Class II D: Secured Claims of Wells Fargo Leasing-("Wells Fargo")
- Class II E: Northland Capital Cooperative Services LLC ("Northland Capital")

Description:

Class II consists of claims of companies financing equipment purchased by the Debtor through capital leases. As of the Petition Date, the Debtor was current on all Class II claims.

Treatment:

All equipment being purchased prior to the Petition Date by the Debtor through Class II Claimants (the "Equipment") will be assumed by the Debtor or assumed and assigned by the Debtor to Vista Dairies. Any payments made during the case to Class II claimants after the Petition Date will be credited to the principal on the individual finance contracts ("Contracts").

The Class II Claimants shall retain a lien and security interest in the Equipment until the principal balances and all accruing interest are paid in full. Except as provided herein, all other terms and conditions of any Contract shall remain in full force and effect.

**3. Class III: General Unsecured Claims-Convenience Class.**

This class shall consist of Allowed Unsecured Claims not entitled to priority where the total of the allowed claim does not exceed \$3,000.00. Any unsecured creditor whose claim exceeds \$3,000.00 may elect this treatment by voting in the Plan to be treated as a Class III creditor by electing to reduce the creditor's total claim to \$3,000.00. The holders of Class III claims shall be paid their Allowed Claims as follows:

**Treatment:**

The holders of Class III Allowed Claims will be paid a total of 100% of their claims ninety days after the Effective Date. Such payments shall be in full satisfaction of each Allowed Unsecured Claim. The Equity Owners estimate that there are approximately \$34,000 in claims in Class III.

**4. Class IV: General Unsecured Claims-Insiders:**

This class shall consist of Allowed Unsecured Claims not entitled to priority held by insiders of the Debtor. The Equity Owners estimate that there are 38 creditors in Class IV holding unsecured claims valued at \$6,423,163.00.

**Treatment:**

Class IV Allowed Claims will be converted as a group to a 50% ownership interest in the Debtor in full satisfaction of each Allowed Class IV Claim. The addition of Class IV claims to the membership of the Debtor will dilute the percentages of the current general partners of the Debtor, who are Class VI claimants. Class IV contains the claims of Veblen East Dairy and Five Star Dairy. Those entities are in separate Chapter 11 proceedings. The conversion of their debt into equity is subject to approval of the bankruptcy court in each of those other bankruptcy cases.

If the conversion of the debt is not approved in either of the two Chapter 11 cases, the debt of the entity or entities that does not approve the conversion shall be paid as a Class VI creditor.

**5. Class V: General Unsecured Claims.**

This class shall consist of Allowed Unsecured Claims not entitled to priority and not treated in any other class in the Plan, including the unsecured portion of any secured claim. The holders of general unsecured claims shall be paid their Allowed Claims over time, and treated as follows:

Treatment:

The holders of Class V Allowed Claims will be paid their Pro-Rata share of all funds available to the Debtor after paying general operating expenses and all Plan payments of unclassified, Class I, II and III claims. Payments on unclassified and Class I, II and III Claims will be made monthly until paid in full. The payments for unsecured claims will be made quarterly starting with the first quarter after the Effective Date. Payments shall be made within thirty (30) days of the end of each succeeding quarter until the payment of the Claims of Class V are paid in full. The Equity Owners estimate that it will take 48 quarters to pay said claims in full. The unsecured creditors in Class V shall be paid 100% of their allowed claims. Such payments shall be in full satisfaction of each Allowed Unsecured Claim. The Equity Owners estimate that there is approximately \$1,500,000.00 of debt in the unsecured Class V Claims, not including objectionable claims. Any addition to the claims pool for Class V will decrease the net pay out per Class V claimant for each quarterly payment and will increase the amount of time that the payments will be made to Class V claimants.

**6. Class VI: Equity Interests.**

This class shall consist of the allowed ownership interests of the Debtor by its 38 limited partners.

**Treatment:**

All limited partners shall remain as owners of the Debtor, as diluted by the ownership interests awarded the Class IV Claimants.

**ARTICLE VI.**

**IMPAIRMENT OF CLASSES OF CLAIMS  
AND INTERESTS UNDER THE PLAN**

All classes are impaired under the Plan except for Class I C, the Secured Claim of Volvo Financial Services, a division of VFS US LLC and Class II Equipment Capital Leases. Holders of Classes IV and VI Claims shall be deemed under 11 U.S.C. 1129 to have accepted the terms of the Plan.

**ARTICLE VII.**

**GENERAL PROVISIONS**

A. Payments under this Plan will be made by check, mailed postage prepaid, to the Claimant at the address listed on its proof of claim or, if no proof of claim has been filed, to the address listed on the schedule.

B. Except as to the Claims of Taxing Authorities, the Debtor reserves the right to designate the application of any payment on a Claim under this Plan.

C. In the event a payment is returned to the Debtor unclaimed, with no indication of Claimant's forwarding address, the Debtor will hold such payment for a period of 60 days from the date of return. If not claimed by Claimant by the end of that period, the payment shall become the property of the Debtor.

D. Proofs of Claims or Interests not timely filed will not participate in distributions under this Plan and will be discharged under Bankruptcy Code § 1141(d) unless scheduled by the Debtor or otherwise ordered by the Court.

E. In the event this Plan is not confirmed under Bankruptcy Code § 1129(a), the Equity Owners requests this Plan be confirmed under Bankruptcy Code § 1129(b).

F. The articles and bylaws of the Debtor shall be amended as required by Bankruptcy Code § 1123(a)(6) and as may otherwise be required by this Plan.

G. Any creditor holding a deposit, including but not limited to utilities, shall return the full amount of the deposit, without the right to setoff, as soon as practicable following confirmation of this Plan.

H. As of the Confirmation Date, Mr. Michael Wyum, or a third-party agent of the Debtor, will manage the Debtor.

I. Contingent unliquidated Claims, including any guarantees of the Debtor, will be paid to the extent and manner agreed upon by the Trustee and the affected parties as approved by the Court, or as liquidated by the Court after hearing, as a general unsecured Claim under Class V.

J. Any funds or benefits received by the Trustee by virtue of any adversary proceeding, claim, preference action, or any other legal right assertable by the Trustee under the Bankruptcy Code, or other law, shall remain the property of the Debtor, and may be used by the Debtor for its operations or to fund the Plan.

K. If the Effective Date or any other date on which a transaction may occur under this Plan shall occur on a day that is not a Business Day, the transactions contemplated by this Plan shall occur on the next succeeding Business Day.

## **ARTICLE VIII.**

### **MEANS OF EXECUTION OF PLAN AND FEASIBILITY**

#### Plan Implementation.

The Debtor's management or a third-party agent of the Debtor, after confirmation, will manage its affairs and all of its Assets, and will collect lease payments and disburse funds, serving as required as disbursing agent. The Debtor will be responsible for paying expenses and making distributions to creditors as set forth in the Plan. The Debtor will provide or pay out of operating funds for all of its administrative expenses and business debts in the ordinary course of business, according to the Plan.

Attached to the Disclosure Statement and marked as Exhibit E are projections for the Debtor and Vista Dairies. If the Equity Owners' Plan is confirmed, the Equity Owners are confident of the Debtor's ability to meet or exceed these projections and perform as set forth under the Plan.

The financial strength of Vista Dairies as demonstrated in the financial projections enhance the feasibility of the Plan and its likelihood of success.

## **ARTICLE IX.**

### **EXECUTORY CONTRACTS AND UNEXPIRED LEASES AND ADMINISTRATIVE CLAIMS**

Attached hereto and marked as **Exhibit B** is a list of the executory contracts and leases to which the Debtor is a party. As to each such contract or lease, the exhibit indicates whether the Debtor has assumed the lease, entered into a new or replacement lease, or has or intends to reject or assume the lease or contract pursuant to this Plan. The Equity Owners may file any amendments to the list of leases or contracts it intends to reject, assume, or assume and assign up until twenty (20) days prior to confirmation of the Plan. If any executory contracts or leases are

not listed on **Exhibit B** said lease or contract shall be deemed rejected, if not previously rejected, as of the Confirmation Date.

Unless otherwise ordered by the Court, a party to a rejected lease under the Plan shall have 30 days following the Confirmation Date to file a proof of claim for any damages incurred because of the rejection, if any. The Trustee shall, thereafter, have 15 days to file an objection to any such proofs of claim.

Unless otherwise ordered by the Court, any party holding an Administrative Claim, which has received a copy of this Plan, shall have 30 days following the confirmation date to file a request for payment of administrative expenses pursuant to the applicable provisions of the Bankruptcy Code and Rules. Failure to file such a request in a timely manner shall be deemed a waiver of the claim and the Debtor shall not be obligated to pay such claim.

## **ARTICLE X.**

### **ALTERNATIVES TO THE PLAN OF REORGANIZATION**

The Equity Owners believe strongly that acceptance of the Plan is in the best interest of the Debtor's creditors. Based upon the financial projections discussed above, the Equity Owners believe it can offer more to unsecured claimants than under a liquidation scenario, in which the Debtor's assets are returned to the primary secured creditors, and other priority claimants. If liquidation were to occur, only secured claimants would receive anything and unsecured creditors would receive nothing. Liquidation of the Debtor's bankruptcy estate is evaluated on Exhibit F to the Disclosure Statement.



**ARTICLE XI.**

**MODIFICATION OF THE PLAN**

The Equity Owners hereby reserve the right to amend or modify the Plan in the manner provided for under 11 U.S.C. § 1127 or § 1129(a) or (b), at any time prior to confirmation, or if allowed by the Court, at or after confirmation. The Equity Owners reserve the right to amend the Plan or remedy any defect or omission, or reconcile any inconsistencies of the Plan, or the order of confirmation, in such manner as may be necessary to carry out the purpose and effect of the Plan, or insure confirmation.

**ARTICLE XII.**

**CONTINUING JURISDICTION OF THE BANKRUPTCY COURT**

The Bankruptcy Court shall retain jurisdiction over the Debtor's property, after confirmation of the Plan, for the purpose of enforcing the provisions of the Plan, including without limitation, the determination of the amount of Allowed Claims, the hearing of objections, if any, to Claims, for estimating any contingent or unliquidated Claims, for conducting adversary proceedings, including but not limited to any preference actions, actions to subordinate Claims under § 510, to conduct any actions which may be properly removed to the Bankruptcy Court, and for other proper purposes related to this Plan.

**ARTICLE XIII.**

**CONTESTED CLAIMS**

The Trustee, or any party in interest, has the right to object to Claims or Interests filed within the bankruptcy proceeding within 30 days of the Effective Date, or such other time as the Court may direct. The figures, valuations, or numbers given for Claims in the Disclosure Statement and this Plan are approximations. The Trustee will examine all Claims and file any

objections to such Claims as are appropriate. Any such Claims for which an objection has been filed or with respect to which a determination of value must be made, shall be paid when, and to the extent allowed or determined by the Court, or as otherwise agreed to by the Trustee and such claimant, and approved by the Court.

#### **ARTICLE XIV.**

##### **RESERVATION OF ALL RIGHTS, CLAIMS, ACTIONS**

The Trustee reserves all rights, at law or in equity, not otherwise specifically modified by this Plan, to commence adversary proceedings, or take any other legal action allowed by the Bankruptcy Code, or other applicable law.

#### **ARTICLE XV.**

##### **DISCHARGE, RELEASE AND EFFECT OF CONFIRMATION**

Confirmation of this Plan shall constitute a complete waiver, discharge, release and satisfaction of all claims of all creditors and interest holders against the Debtor, to the full extent allowed under bankruptcy law. This discharge and release shall include any purported liens, encumbrances or security interests claimed by any claimant, creditor or any other person or entity against property of the Debtor, or property dealt with, by or in the Plan, except such liens as are expressly stated to survive confirmation. On the Effective Date, the Debtor shall be restored to its full ownership and dominion over all property and assets owned by it, which property shall be properly dealt with by the Plan, pursuant to Bankruptcy Code § 1141(c). Provided, however, the discharge granted by 11 U.S.C. § 1141(d) is modified as to any tax debt provided for in this Plan, and the discharge of any tax debt under this Plan shall not be effective until all taxes provided for under this Plan have been paid in full.

**ARTICLE XVI.**

**MISCELLANEOUS PROVISIONS**

The rules of construction used in Section 102 of the Bankruptcy Code shall apply to the construction of this Plan. Except to the extent that the Bankruptcy Code or other Federal law is applicable, the rights, duties and obligations arising under this Plan shall be governed by, construed and enforced in accordance with, the internal laws of the State of South Dakota.

**EQUITY OWNERS OF VEBLEN WEST DAIRY LLP**

Dated: October 5, 2010

By: /s/ Rick Millner  
Authorized Representative

**EXHIBIT A TO THE PLAN**  
**FACILITIES LEASE TERM SHEET**

See Attached

October 4, 2010

Veblen West Dairy LLP  
Veblen, SD 57270

RE: LETTER OF INTENT – FACILITIES LEASE FOR  
DAIRY OPERATIONS  
Veblen West Dairy LLP – Veblen, SD

Dear Mr. \_\_\_\_\_:

The purpose of this Letter of Intent is to provide the basis for the preparation of a facilities lease for all personal property and real estate owned and operated by Veblen West Dairy LLP in its dairy operations (“Landlord”) which include Landlord’s real property located in Marshall County, South Dakota; Landlord’s tangible personal property (excluding dairy cows); leased personal property; and intangible personal property. This proposal should not be considered a binding contract or commitment on either party, but merely an outline of the terms to be incorporated into a mutually acceptable lease document, the form of which shall be provided by Vista Family Dairies, L.L.C. (“Tenant”) following the mutual execution of this Letter of Intent.

The basic terms and conditions under which the Landlord shall lease the facilities of the Landlord are as follows:

**PREMISES:** All dairy operation facilities of the Landlord which include all of the Landlord’s real property located in Marshall County, South Dakota; the Landlord’s tangible personal (excluding dairy cows); leased personal property and intangible personal property.

**LANDLORD:** Veblen West Dairy LLP  
Veblen, South Dakota

**TENANT:** Vista Family Dairies, L.L.C.  
Veblen, South Dakota

**USE:** The Premises may be used for a dairy operation.

**LEASE TERM**

**AND RENEWALS:** The term of the lease shall be for fifteen (15) years from the date of commencement.

**BASE RENT:** Base Rent shall be one hundred forty thousand dollars (\$140,000) per month.

**SECURITY**

**DEPOSIT:** Upon execution of a Lease, Tenant shall pay a security deposit equal to the total of three monthly base rental payments. Any unused portion of the security deposit may be used to pay the final three (3) lease payments due under the lease.

**DELIVERY DATE:** Landlord shall deliver the Premises to Tenant on or about thirty (30) days following the confirmation of the Landlord's Plan of Reorganization in the United States Bankruptcy Court for the District of South Dakota, Bankruptcy, 10-10071, Chapter 11.

**COMMENCEMENT  
DATE:**

The Term of the Lease, together with Base Rent, shall commence on the earlier of thirty (30) days following the confirmation of the Landlord's Plan of Reorganization in the United States Bankruptcy Court for the District of South Dakota, Bankruptcy, 10-10071, Chapter 11 or (ii) the date Tenant opens for business within the Premises.

**MAINTENANCE:** Tenant shall be responsible for all repairs and replacements of structures on the Premises. Tenant will maintain the Premises including without limitation the structures located in the Premises, and will be responsible for all building repairs, maintenance and replacements and the roof.

**C.A.M. & R.E.  
TAXES AND  
UTILITIES:**

In addition to Base Rent, Tenant shall be responsible for operating expenses including maintenance, insurance, real estate taxes and special assessments applicable to the Premises, all of which shall be referred to as "Additional Rent" in the Lease. Tenant's obligation to pay operating expenses including real estate taxes and special assessments shall commence with the rent commencement date under the Lease.

**ESTOPPEL:** Tenant shall, within twenty-one (21) days after request by Landlord, execute, under acknowledgment, and deliver to Landlord, in form reasonably acceptable to Tenant, a statement in writing and in recordable form certifying (to the extent true) that the lease is unmodified and in full force and effect, that neither Tenant nor Landlord is in default, the dates to which rental or other sums have been paid in advance and such other information as

Landlord or any lender or purchaser may require (or if any of the above is not true, the reason why it is not true). Tenant agrees that the statement may be relied upon by Landlord and any prospective purchaser, mortgagee, assignee, or beneficiary.

EASEMENTS/TITLE

DOCUMENTS: Landlord shall deliver to Tenant all documents regarding existing easements, and all other documents affecting the title to the Premises prior to execution of the Lease. Landlord shall grant to Tenant all necessary access easements for Tenant's use and enjoyment of the Premises, if any.

FORMAL

DOCUMENTATION:

This letter is a statement of a basis for an agreement between the parties, but is, however, subject to negotiation and execution of formal documentation approved by each party's respective counsel. Landlord and Tenant intend to promptly commence drafting and negotiation of such documentation. Each party will endeavor to finalize and enter into an acceptable agreement as soon as reasonably possible. However, if Landlord and Tenant are unable to reach a full and final agreement on the Lease for the Premises, neither party will have any claim against the other and all costs incurred by either party will be the sole responsibility of the incurring party.

If the forgoing meets with your approval, please sign both copies of this letter and return one fully executed copy to me. Upon receipt of the executed letter, we will instruct our attorney to begin preparation of the necessary documents.

**As discussed above, Landlord's obligation to lease the Premises to Tenant and Tenant's obligation to lease the Premises from Landlord are expressly conditioned upon the Landlord and Tenant entering into a mutually satisfactory written lease agreement.**

Provided the above terms are acceptable, please sign and return one fully executed copy of this Letter of Intent to my attention no later than October \_\_, 2010.

Sincerely,

VISTA FAMILY DAIRIES, L.L.C.

By \_\_\_\_\_

Its \_\_\_\_\_

October \_\_, 2010

The undersigned hereby agree to the foregoing:

VEBLEN WEST DAIRY LLP

By \_\_\_\_\_

Its \_\_\_\_\_

October \_\_\_\_, 2010

VISTA FAMILY DAIRIES, L.L.C.

By \_\_\_\_\_

Its \_\_\_\_\_

October \_\_\_\_, 2010

DRAFT



**EXHIBIT B TO THE PLAN****EXECUTORY CONTRACTS AND LEASES****VEBLIN WEST DAIRY LIMITED PARTNERSHIP LLP**

## John Deere Leases with Veblin West

<b>Lease Dates</b>	<b>Description of the Collateral</b>	<b>Serial No.</b>	<b>Payment Per Month</b>	<b>Sub-Lease with (all to be assumed)</b>	<b>Action</b>
11/28/2005-11/28/2008	2006 JD 7220 TRACTOR	RW7220D045140	\$1,110.55		Assume
11/28/2005-11/28/2008	2006 JD 7220 TRACTOR	RW7220D045157	\$1,110.55		Assume
11/28/2005-11/28/2008	2006 JD 7220 TRACTOR	RW7220D045145	\$1,110.55	Five Star	Assume
3/20/2006-3/20/2009	2004 JD 7920 JOHN DEERE TRACTOR	RW7920D021168	\$1,873.97		Assume
9/22/2008-9/22/2011	JD 7520 JOHN DEERE 7520 TRACTOR JD 741 JOHN DEERE 741 LOADER	RW7520R037919 W00741C008289	\$1,442.00	Five Star	Assume
9/22/2008-9/22/2011	JD 7520 JOHN DEERE 7520 TRACTOR JD 741 JOHN DEERE 741 LOADER	RW7520R037283 W00741C008414	\$1,390.50	Shortfoot Calf Ranch	Assume
10/19/2008-10/19/2011	JD 8320 TRACTOR WITH PTO KIT	RW8320P037090	\$1,957		Assume
3/20/2009-3/20/2012	JD 7520 JOHN DEERE TRACTOR	RW7520D047182	\$1,560.00	Veblin East	Assume

**EXHIBIT B TO DISCLOSURE STATEMENT**

**SUMMARY OF OPERATIONS DURING THE CHAPTER 11**

**Veblen West Dairy**  
**Profit & Loss**  
 April through August 2010

2:29 PM  
 10/05/2010  
 Accrual Basis

	<u>Apr 10</u>	<u>May 10</u>	<u>Jun 10</u>	<u>Jul 10</u>	<u>Aug 10</u>	<u>TOTAL</u>
<b>Ordinary Income/Expense</b>						
Calf Sales	2,115.00	5,130.00	21,780.00	5,130.00	225.00	34,380.00
Livestock Sales	276,855.41	114,615.82	101,935.95	95,876.34	80,728.32	670,011.84
Milk	1,261,512.19	1,322,490.80	1,320,661.01	1,444,191.75	1,392,019.86	6,740,875.61
Other Income	279,450.54	183,908.00	170,552.40	181,533.12	172,252.13	987,696.19
Rental Income	6,000.00	6,000.00	0.00	-516.00	0.00	11,484.00
<b>Total Income</b>	<u>1,825,933.14</u>	<u>1,632,144.62</u>	<u>1,614,929.36</u>	<u>1,726,215.21</u>	<u>1,645,225.31</u>	<u>8,444,447.64</u>
<b>Expense</b>						
Adminstrative Expenses	40,231.63	50,095.57	35,949.54	37,393.49	33,286.77	196,957.00
Animal Health Expenses	34,540.83	25,545.76	23,545.02	11,723.09	28,925.55	124,280.25
Bedding Expense	3,343.27	2,979.78	9,462.95	5,322.39	2,564.18	23,672.57
Breeding Expenses	31,611.70	27,513.52	30,686.44	12,522.02	30,261.59	132,595.27
BST - Production Enhancer	78,670.00	30,080.00	52,788.00	50,436.00	48,936.00	260,910.00
Feed Expense	484,972.59	456,491.33	414,227.14	468,883.56	482,969.99	2,307,544.61
Freight and Trucking	49,732.91	54,171.35	40,683.41	46,105.15	41,077.06	231,769.88
Fuel	20,557.83	15,891.87	19,012.62	25,081.81	14,855.79	95,399.92
Herd Replacement Expense	623,463.25	235,812.50	298,233.25	415,071.00	349,006.00	1,921,586.00
Insurance Expense	9,864.51	29,791.61	16,875.17	10,051.76	17,274.58	83,857.63
Labor Expenses	160,913.72	178,334.55	177,119.32	167,751.56	141,980.52	826,099.67
Marketing Expenses	16,348.24	14,426.56	14,451.82	14,643.77	13,998.37	73,868.76
Nutrient Management Expenses	7,087.60	9,299.05	27,624.35	212,537.38	56,197.23	312,745.61
Production Services Expense	0.00	0.00	0.00	378.40	1,007.78	1,386.18
Rent Expense	-1,118.45	-59,433.69	9,471.07	16,665.90	16,130.16	-18,285.01
Repairs & Maintenance	14,154.84	26,845.35	25,754.93	22,033.62	21,210.24	109,998.98
Supplies	26,353.11	17,934.00	31,612.07	39,493.76	26,456.77	141,849.71
Taxes	4,312.86	4,062.86	20,966.17	3,979.07	17,877.38	51,198.34
Utilities	50,457.78	46,309.92	49,051.73	52,410.52	54,500.22	252,730.17
<b>Total Expense</b>	<u>1,655,498.22</u>	<u>1,166,151.89</u>	<u>1,297,515.00</u>	<u>1,612,484.25</u>	<u>1,398,516.18</u>	<u>7,130,165.54</u>
<b>(EBITDA)</b>	<u><b>170,434.92</b></u>	<u><b>465,992.73</b></u>	<u><b>317,414.36</b></u>	<u><b>113,730.96</b></u>	<u><b>246,709.13</b></u>	<u><b>1,314,282.10</b></u>
Depreciation & Amortization	96,298.92	96,305.00	96,305.00	96,305.00	96,380.00	481,593.92
Interest Expense	30,979.60	31,431.36	31,674.68	34,202.49	34,410.58	162,698.71
<b>Net Income</b>	<u>43,156.40</u>	<u>338,256.37</u>	<u>189,434.68</u>	<u>-16,776.53</u>	<u>115,918.55</u>	<u>669,989.47</u>
<b>Other Income/Expense</b>						
Bankruptcy Legal	100,000.00	0.00	0.00	10,400.00	317,851.78	428,251.78
<b>Net Other Income</b>	<u>-100,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>-10,400.00</u>	<u>-317,851.78</u>	<u>-428,251.78</u>
<b>Net Income</b>	<u><b>-56,843.60</b></u>	<u><b>338,256.37</b></u>	<u><b>189,434.68</b></u>	<u><b>-27,176.53</b></u>	<u><b>-201,933.23</b></u>	<u><b>241,737.69</b></u>

**EXHIBIT C TO DISCLOSURE STATEMENT**

**ASSET PURCHASE AGREEMENT**

**See Attached**

This document prepared by:  
**FROHLING LAW OFFICE**  
Attorneys At Law  
PO Box 919  
Britton, SD 57430  
Tel 605-448-2273  
Fax 605-448-2275

Print Date: September 4, 2008 (8:33pm)  
MCC,Sale,Contract,v17

**MCC DAIRY ASSET PURCHASE AGREEMENT**

THIS ASSET PURCHASE AGREEMENT ("Agreement") made and entered into this 1st day of April, 2008, by and between:

Multi-Community Cooperative Dairy, a South Dakota cooperative corporation, 44480 SD Hwy 27, Veblen, South Dakota 57270

("Seller"), and

Veblen West Dairy, LLP, a South Dakota limited liability partnership, PO Box 157, Veblen, South Dakota 57270

("Buyer").

WHEREAS, Seller is the owner in fee of certain real and personal property more specifically described hereinafter, and Buyer desires to purchase such property, and

WHEREAS, Seller has entertained written bids for the personal and real property to be sold and Buyer was the high bidder,

WHEREAS, as a result of negotiations between Seller and Buyer, several changes have been made to the original bid,

NOW, THEREFORE, in consideration of the covenants, conditions, and promises mutually undertaken to be kept and performed by the parties,

IT IS HEREBY AGREED BY AND BETWEEN THE PARTIES AS FOLLOWS:

1. Property Sold. At the time of closing, Buyer shall purchase and acquire from Seller, and Seller shall sell, transfer, and assign to Buyer, all of Seller's assets and business, existing as of March 31, 2008, as a going concern, including, without limitation, the following described property (collectively referred to as "the Property"):

(a) Real Property. The real property located in Marshall County, South Dakota, described as follows:

See **EXHIBIT 1(a)** attached hereto and incorporated herein,

together with all the privileges and appurtenances thereunto belonging, and all plants, buildings, structures, installations, fixtures, improvements, betterments, and additions of every kind and description,

subject to easements, reservations, and restrictions of record, if any, and to those facts which a survey would disclose

("the Real Property").

(b) Personal Property. The personal property located in Marshall County, South Dakota, described as follows:

See **EXHIBIT 1(b)** attached hereto and incorporated herein

("the Personal Property").

(c) Excluded Assets. The following described assets owned by Seller are excluded from this sale and ownership of such assets shall be retained by Seller:

Potential recoveries from shareholder derivative lawsuits made in the Veblen District litigation, Marshall County file 07-85, and the claims alleged in Nickeson's demand letter dated February 19, 2008.

(d) Changes in Assets. The assets to be sold and delivered shall consist of those owned by Seller on March 31, 2008, including, without limitation, those reflected in Seller's balance sheet of January 31, 2008, with such changes therein, and only such changes, that have occurred in the ordinary course of Seller's business between January 31, 2008, and March 31, 2008.

(e) Marketable Title. The sale shall be made free and clear of all liabilities, obligations, security interests, and encumbrances, except those liabilities, obligations, security interests, and encumbrances set forth herein which are to be expressly assumed by Buyer at closing.

(f) Condition of Property/No Warranties. Buyer has inspected the Property and accepts the Property in the condition and state of repair existing on the date of this Agreement, that is, in its "**AS IS**" condition. SELLER MAKES NO EXPRESS OR IMPLIED WARRANTIES THAT THE PROPERTY IS MERCHANTABLE OR FIT FOR A PARTICULAR PURPOSE, AND BUYER EXPRESSLY ACKNOWLEDGES THAT THERE ARE NO EXPRESS OR IMPLIED WARRANTIES THAT THE PROPERTY IS MERCHANTABLE OR FIT FOR A PARTICULAR PURPOSE.

2. Purchase Price and Terms. The purchase price for the Property shall be calculated before closing in accordance with **EXHIBIT 2** attached hereto and incorporated herein. The "net payment due from Buyer at closing" shown on Exhibit 2 is estimated at this time and Exhibit 2 will be revised and adjusted before closing to reflect the loan and accounts payable balances and the amounts of the legitimate debts/payables not otherwise assumed by Buyer determined to exist as of March 31, 2008. At closing, the amount of Buyer's final payment shall be the amount shown as the "net payment due from Buyer at closing" shown on the revised Exhibit 2.

(a) Bid Changes. Buyer's bid assumed a certain level of loans and accounts payable, but reserved "the right to increase its bid if necessary to cover all legitimate MCC Dairy debt/payables." Following negotiations with the receiver, Buyer has agreed to modify the bid language to provide that the bid shall be increased to cover all legitimate MCC Dairy debt/payables. For purposes of calculating the final payment due hereunder, "legitimate MCC Dairy debt/payables" means (1) those debts and accounts payable incurred in the ordinary course of business which are not in dispute, i.e. both MCC Dairy and the vendor/supplier are in agreement that the debt is a proper claim against MCC Dairy and that the amount is accurate, and (2) the fees of the broker, Wayne Bradley of Bradley Business Advisors, LLC, the court-appointed receiver, Clair R. Gerry, any court-appointed or receiver-hired appraiser and/or auditor, attorney's fees for Seller's counsel, Seller's accounting and tax preparation fees and income or other taxes due or to become due before, after, or as a result of the sale contemplated herein. The claims against MCC Dairy which are currently being litigated would not be legitimate MCC Dairy debt/payables because the propriety or amount of such claims is in dispute and liability for such claims is being assumed by Buyer. The parties to such litigation may continue to litigate such claims until

dismissal, settlement, or judgment. The Exhibit 2 “net payment due from Buyer at closing” will be adjusted upward if necessary to pay all “legitimate MCC Dairy debt/payables” as defined herein, but in no event shall the total amount Buyer assumes and pays be less than \$23,000,000.00.

3. Assumed Liabilities. At the closing, Buyer shall execute and deliver to Seller an undertaking wherein Buyer will assume and agree to pay or discharge the following:

The loans, payables, and claims listed and described on **EXHIBIT 3** attached hereto and incorporated herein.

The amounts assumed shall be counted toward the purchase price. Buyer shall endeavor to obtain the release of Seller and any guarantors for all indebtedness assumed by Buyer. Buyer and its investors shall provide the receiver with satisfactory proof of financial ability to assume the indebtedness on Exhibit 3, and Buyer shall hold Seller harmless and indemnify Seller from liability for the indebtedness and obligations assumed by Buyer. AgStar has indicated that assumption and release is acceptable and is drafting paperwork to be signed at closing to effect the assumption and release.

4. Seller’s Representations and Warranties. Seller, as of the date of this Agreement and at closing, as a material inducement to Buyer to enter into this Agreement and with full knowledge and expectation that Buyer is relying thereon, represents and warrants as follows:

(a) Corporate Status. Seller is a cooperative corporation, duly organized, validly existing, and in good standing under the laws of the State of South Dakota, has all requisite power and authority to consummate the transactions contemplated by this Agreement, and has by proper corporate proceedings duly authorized the execution and delivery of this Agreement and the consummation of all transactions contemplated herein.

(b) Ownership/Right to Sell. Seller has the right to sell and transfer the Property and will warrant and defend the same against claims and demands of others.

(c) Real Property Title. Seller is the owner in fee of the Real Property, Seller has good and marketable title to the Real Property, and the Real Property is free from all encumbrances, except the following:

See **EXHIBIT 4(c)** attached hereto and incorporated herein.

(d) Personal Property Title. Seller is the owner in fee of the Personal Property, Seller has good and marketable title to the Personal Property, and the Personal Property is free from all encumbrances, including pledges, liens, and security interests, except the following:

See **EXHIBIT 4(d)** attached hereto and incorporated herein.

Buyer agrees to accept the Personal Property subject to the encumbrances listed above.

(e) Accounts Payable. Seller shall pay all accounts payable, including amounts owed to insurance companies, and other liabilities, including utilities and advertising, incurred by Seller as part of the business through the date of possession.

(f) Tax Liabilities. Seller has paid in full, or will arrange for the payment in full on or before the date of closing, all state and federal employee income tax withholding, Federal Social Security Tax (FICA) withholding, employment taxes, unemployment insurance, sales and use taxes, occupational taxes, business or license fees and taxes, and any other business-related taxes or governmental charges due and owing or accrued with respect to the business conducted by Seller.

(g) Employee Contracts. Seller's employees are not represented by any union and are not subject to any collective bargaining agreement, and Seller has no agreement, written, oral, implied, or express, with any employee or group of employees under which any claim of continued right to work or other employment might or could be asserted against Buyer.

(h) Employee Benefits. Seller has no pension, bonus, profit-sharing, or retirement plans for officers or employees. Seller has provided health insurance for certain employees and shall use its best efforts to continue such coverage for 90 days after the closing, the cost of which Buyer shall reimburse to Seller. Seller will give any required COBRA notices to employees. Buyer anticipates being able to continue the same group coverage which Seller provided. Except as otherwise specifically provided herein (see Exhibit 3, item 1), Seller shall pay any employee benefits of Seller's employees which have accrued but remain unpaid as of the date of possession. Employee benefits includes, but is not limited to, vacation time and sick leave.

(i) Compliance with Laws/No Violation or Breach. To the best of its knowledge, Seller has complied with all laws, rules, and regulations relating to the business and property referred to in paragraph 1, and Seller's execution, delivery, and performance of this Agreement will not result in any violation of, or be in conflict with any term or provision of, any local, state, federal or administrative law, statute, regulation, judgment, decree, ruling, or of any organizing document, agreement, loan document, or instrument applicable to Seller.

(j) Contracts. Seller has no contract or commitment extending beyond the date of possession, except as follows:

Contracts and leases listed on Exhibit 3, item 3.

True and complete copies of all the above have been delivered to Buyer. Seller has complied with all the provisions of such instruments and of all other contracts and commitments to which it is a party, and is not in default under any of them.

(k) Insurance. All inventories, buildings, and fixed assets owned or leased by Seller are and will be adequately insured against fire and casualty to the date of possession, and valid policies therefor are and will be outstanding and duly in force and the premiums to become due thereon to the date of possession will be paid when due. After the date of possession, Buyer shall procure its own insurance coverage, and Seller may cancel its insurance coverage.

(l) Taxes. Seller has duly prepared and filed, or will prepare and file, all required federal, state, and local tax returns and reports. Seller has paid all taxes, license fees, or other charges levied, assessed or imposed upon its business and property, except those which are not yet due and payable. Seller is not involved in any dispute with any tax authority as to the amount of taxes due, and has not received notice of any deficiency, audit, or other indication of deficiency from any tax authority, which has not been disclosed to Buyer. All taxes, franchises, contributions and other charges required to be paid to governmental agencies by Seller with respect to its operations to the closing will be paid by Seller as they become due.

(m) Litigation. Seller is not involved in any actions, proceedings, or investigations which might materially or adversely affect its business or assets or would prevent or hamper the transactions contemplated by this Agreement, except as follows:

See Exhibit 3, items 8(a) through 8(h), inclusive, all of which are being assumed by Buyer.



(n) Subsidiaries. Seller has no subsidiaries.

(o) Full Disclosure. No representation or warranty by Seller in this Agreement or any statement or certificate furnished or to be furnished by Seller to Buyer pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit a material fact necessary to make the statements contained herein or therein not misleading.

(p) Survival. All representations, warranties, and agreements made by Seller in this Agreement, or pursuant hereto, shall survive the closing and any investigation at any time made by or on behalf of Buyer.

5. Seller's Covenants. Seller covenants that:

(a) Expenses. Seller shall pay all of its expenses in connection with the preparation of this Agreement and the consummation of the transactions contemplated hereby.

(b) Counsel Opinion. Seller will furnish to Buyer a favorable opinion of its counsel, dated the date of closing and addressed to Buyer, satisfactory in content and form to Buyer, covering Seller's corporate status and authority in connection with this Agreement and the transactions contemplated hereby, and the due performance of all of Seller's actions, covenants, and obligations hereunder.

(c) Title Insurance and Survey. Seller will furnish an owner's policy of title insurance, dated as of the date of filing the deed to the Real Property, insuring good and marketable title in Buyer in the amount of Twelve Million Dollars (\$12,000,000.00). Such policy shall contain no exceptions other than for current taxes not yet due and payable, the standard exceptions under ALTA Form B, and all exceptions acceptable to or assumed by Buyer. A commitment policy issued by Old Republic Title Insurance Company through Marshall Land and Title Company ("Title Company") will be provided to Buyer.

(d) Conduct of Business Pending Possession. Until the transfer of possession to Buyer, Seller shall conduct the existing business as follows:

(1) Ordinary Course. Seller's business will be conducted only in the ordinary course.

(2) No New Contracts. No new contract or commitment will be entered into by or on behalf of Seller extending beyond the date of possession.

(3) Goodwill. Except as otherwise requested by Buyer, and without making any commitment on Buyer's behalf, Seller will use its best efforts to preserve for Buyer the goodwill of Seller's suppliers, customers, and others having business relations with it.

(4) Property Condition. Seller will maintain the Property in the same condition as the date of this Agreement, normal wear and tear excepted, and shall repair or replace any item of Property which is damaged between signing and possession.

(5) Insurance. Seller will insure the Property from casualty or loss until transfer of possession.

6. Buyer's Representations and Warranties. Buyer, as of the date of this Agreement and at closing, as a material inducement to Seller to enter into this Agreement and with full knowledge and

expectation that Seller is relying thereon, represents and warrants as follows:

(a) LLP Status. Buyer is a limited liability partnership, duly organized, validly existing, and in good standing under the laws of the State of South Dakota, has all requisite power and authority to consummate the transactions contemplated by this Agreement, and has by proper proceedings duly authorized the execution and delivery of this Agreement and the consummation of all transactions contemplated herein.

(b) Compliance with Laws/No Violation or Breach. To the best of its knowledge, Buyer's execution, delivery, and performance of this Agreement will not result in any violation of, or be in conflict with any term or provision of, any local, state, federal or administrative law, statute, regulation, judgment, decree, ruling, or of any organizing document, agreement, loan document, or instrument applicable to Buyer.

(c) Inspection. Buyer has inspected the Property, is intimately familiar with the Property inasmuch as one or more of Buyer's principals have been involved in the management of Seller, and accepts such Property in its "AS IS" condition without warranty of any kind.

(d) Full Disclosure. No representation or warranty by Buyer in this Agreement or any statement or certificate furnished or to be furnished by Buyer to Seller pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit a material fact necessary to make the statements contained herein or therein not misleading.

(e) Survival. All representations, warranties, and agreements made by Buyer in this Agreement, or pursuant hereto, shall survive the closing and any investigation at any time made by or on behalf of Seller.

7. Access and Information/Confidentiality. Seller shall give Buyer, and its counsel, accountants, engineers, and other representatives, full access, during normal business hours throughout the period before the closing, to all of Seller's properties, books, contracts, commitments, and records, and shall furnish Buyer during such period with all information concerning Seller's affairs that Buyer reasonably requests. Buyer acknowledges that, pursuant to the right to inspect Seller's books, records, and other documents and material, it may become privy to Seller's confidential information, and that communication of such confidential information to third parties (whether authorized by Buyer or otherwise) could injure Seller's business if this transaction is not completed. Buyer therefore shall take reasonable steps to insure that such information about Seller obtained by Buyer or any of its employees, officers, agents, attorneys, or representatives shall remain confidential and not be disclosed or revealed to outside sources. "Confidential information" includes information ordinarily known only to Seller personnel, and includes such information as customer lists, supplier lists, trade secrets, channels of distribution, pricing policy and records, inventory records, and other information normally understood to be confidential or otherwise designated as such by Seller.

8. Title Insurance. Seller shall provide proof of title to the Real Property by furnishing to Buyer an owner's title insurance policy issued in the amount of the purchase price. The policy shall be a standard form policy issued by a title company acceptable to Buyer. A commitment policy shall be issued before closing and a final policy shall be issued immediately after closing, with copies of each provided by Buyer to Seller. The cost of the owner's title insurance shall be shared equally by Seller and Buyer; provided that Seller shall receive the benefit of the reissue credit, if any, which results from the prior purchase of title insurance, and provided that Buyer shall pay the cost of the mortgagee's or lender's policy, if any. If requested by Buyer, Seller will take all reasonable steps to remove any title defects which appear in the commitment policy which Buyer has not agreed to accept or assume.

9. Real Estate Taxes. Real estate taxes shall be prorated to the date of possession. The real estate taxes and assessments levied in 2007 and payable in 2008 shall be paid by Seller. The real estate taxes and assessments levied in 2008 and payable in 2009 shall be prorated (based on the 2007 levy) to date of closing.

10. Utilities Read At Possession. The meters for electricity, gas, water, and any other utilities shall be read as close to the date of possession as reasonably possible and Seller shall pay all such amounts to that date. Buyer shall pay for all utilities after the date of possession or the date of reading the meters.

11. Risk of Loss. Until either legal title or possession of the Property passes to Buyer, Seller bears the risk of loss if the Property is destroyed without fault of Buyer or is taken by eminent domain, and Seller cannot enforce this Agreement against Buyer and Buyer is entitled to recover any portion of the purchase price that has been paid. When either legal title or possession of the Property has passed to Buyer, Buyer bears the risk of loss if the Property is destroyed without fault of Seller or is taken by eminent domain, and Buyer is not relieved of the obligation to pay the purchase price or entitled to recover any portion of the purchase price that has been paid.

12. Conveyance. At the time of closing, Seller shall convey marketable title to the Real Property by warranty deed to Buyer and shall convey marketable title to the Personal Property by bill of sale with warranties of title.

13. Possession. Seller shall give Buyer possession of the Property at 11:59 P.M. on March 31, 2008. All milk, milk payments, and other receivables accrued after possession shall belong to Buyer.

14. Closing. The closing shall take place at Veblen, South Dakota, on or before September 5, 2008, or at any other place or time agreed to by the parties, unless delayed by events or acts beyond the control of the parties.

15. Pre-Closing Checklist. Before the time set for closing:

(a) Conditions Precedent to Buyer's Performance. Buyer shall not be obligated to complete the transactions contemplated by this Agreement unless, at the time of closing, each of the following conditions is satisfied:

(1) Representations True. All representations, warranties, and covenants of Seller set forth in paragraphs 4 and 5 are, on the effective date of this Agreement and on the date of closing, true and correct.

(2) Obligations Performed. Seller has complied with all agreements herein to be performed by Seller at or before the closing.

(3) No Governmental Action. No event or circumstance of governmental or regulatory action has occurred before the date of possession which materially adversely affects Buyer's conduct of a large scale dairy business on the Real Property as of the date of possession.

(4) No Casualty. Seller's business and property shall not have been adversely affected in any material way before the date of possession as a result of any strike, lock-out, accident, or other casualty or act of God or public enemy, or any judicial, administrative, or governmental proceeding.

(5) Paperwork Acceptable. All legal matters in connection with the transaction contemplated by this Agreement and all instruments to be delivered by Seller to Buyer pursuant to this

Agreement are in form and substance satisfactory to Buyer's counsel.

(6) Opinion of Seller's Counsel. Buyer has received the opinion of Seller's counsel to the effect that Seller is a duly organized and validly existing cooperative corporation under the laws of the State of South Dakota, that Seller has taken all corporate action required by its Articles, Bylaws, and the laws of the State of South Dakota to enter into and consummate the transaction contemplated herein, and that the delivery of the Warranty Deed and Bill of Sale referred to in paragraph 12 are sufficient to vest in Buyer good and marketable title to the assets therein conveyed free and clear of all liens, claims, restrictions, and encumbrances, except those expressly agreed to be assumed by Buyer.

(b) Waiver of Conditions. Seller and Buyer may each waive in writing any one or more of the conditions of their respective obligations set forth in this Agreement.

16. Closing Checklist. Unless performance is otherwise waived or excused or delayed with the consent of the other party and such waiver, excusal, or consent is documented in writing before the time set for closing, at the time of closing:

(a) Documents. Seller shall deliver to Buyer full covenant and warranty deeds, bills of sale with covenants of warranty, endorsements, assignments, and other good and sufficient instruments of transfer and conveyance that, in the opinion of Buyer's counsel, are effective to vest in Buyer good and marketable title to the assets and business.

(b) Payment. Buyer shall deliver to Seller a certified check or bank cashier's check or wired funds in the sum shown on the revised Exhibit 2 as the "net payment due from Buyer at closing," and shall execute and deliver to Seller or Seller's lenders and contract holders an undertaking wherein Buyer will assume and agree to pay or discharge Seller's liabilities and obligations to the extent provided in paragraph 3, and Buyer shall secure Seller's release from such obligations.

(c) Further Assurances. From time to time, at Buyer's request, Seller at its expense will execute and deliver all further instruments of conveyance and transfer and take all other action that Buyer reasonably may require more effectively to convey and transfer to Buyer any of the Property sold hereunder. Seller will pay all sales, transfer, and documentary taxes payable in connection with the sale, transfers, and deliveries to be made to Buyer hereunder.

17. Remedies. Regarding the rights and remedies of each party upon the other's default:

(a) Seller's. If Buyer fails or refuses to comply with its obligations under this Agreement, then Seller may, at Seller's option, (1) hold and retain the down payment or deposit and any additional funds paid or deposited by Buyer as liquidated damages for breach of this Agreement, and rescind and terminate this Agreement, whereupon all rights and obligations hereunder shall cease and determine; or (2) enforce this Agreement by appropriate action, including an action for specific performance or for damages for breach, and retain all monies paid or deposited by Buyer pending the determination of such action. Seller shall give Buyer written notice of election with respect to its exercise of either of these options.

(b) Buyer's. If Seller fails or refuses to perform its obligations under this Agreement, including the furnishing of good title as herein defined and transfer of possession, then Buyer may, at Buyer's option, (1) rescind the Agreement and recover all deposits and other amounts paid by Buyer hereunder, and all expenses paid or incurred by it; or (2) pursue any remedy available to Buyer, in law or equity, including an action to compel specific performance of this Agreement or one for damages for breach, separately or alternatively.



(c) Damages and Attorney's Fees Upon Breach. If a party initiates litigation against another party for a breach of the terms of this Agreement, the defaulting party shall pay to the non-defaulting party as damages (and not as disbursements) all reasonable attorney's fees and costs incurred by the non-defaulting party in prosecuting such litigation. (This agreement is made pursuant to SDCL 15-17-38, which permits the parties to make an agreement concerning the compensation of attorneys for services rendered in litigation.) The reasonable attorney's fees and disbursements incurred by the non-defaulting party shall be paid by the defaulting party whether litigation is prosecuted to judgment or not.

(d) Remedies Not Exclusive. The remedies outlined herein shall not be exclusive of any other right or remedy, but shall be construed as cumulative and shall be in addition to every other remedy now or hereafter existing at law, in equity, or by statute.

18. General Provisions. The following general provisions apply to this Agreement:

(a) Acts of Agent. Any act which a party could do hereunder may also be done by and for such party by a duly constituted agent or attorney-in-fact. Proof of such relationship must be provided to the other parties in writing, and the other parties need not investigate whether such appointment remains valid. Each party shall be bound by the acts of its agent or attorney-in-fact and ratifies any acts done on such party's behalf by such agent or attorney-in-fact.

(b) Amendments. This Agreement may not be amended or modified except by a writing signed by all parties hereto.

(c) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and assigns.

(d) Captions and Catchlines. Captions and catchlines are for convenience only and shall not be resorted to for purposes of interpretation or construction of this Agreement.

(e) Cooperation. The parties to this Agreement shall promptly execute and deliver any and all additional documents, instruments, notices, and other assurances, and shall do any and all other acts and things, reasonably necessary in connection with the performance of their respective obligations under this Agreement and to carry out the intent of the parties.

(f) Definitions, Grammar, Number, and Gender. In this Agreement, (1) "days", unless otherwise specified, means calendar days, and shall not exclude weekends or holidays; (2) the word "may" is used to indicate that an action either is authorized or is permitted; (3) the word "shall" is used to indicate that an action is both authorized and mandatory; and (4) the phrase "may not" is used to indicate that an action is both unauthorized and prohibited. The singular includes the plural and the masculine includes the feminine and the neuter.

(g) Entire Agreement; Merger; Inducement. This document constitutes the entire agreement between the parties. Course of dealing, course of performance, trade usage, or parol evidence may not be used to modify this Agreement. No party shall be bound by any terms, conditions, statements, or representations, whether oral or written, not contained herein. All previous negotiations, statements, and preliminary documents by the parties or their representatives are merged in this Agreement. Each party hereby acknowledges that in executing this Agreement he has not been induced, persuaded, or motivated by any promise or representation made by another party, unless expressly set forth herein.

(h) Governing Law. This Agreement shall be construed in accordance with and

governed by the laws of the State of South Dakota.

(i) Notices. All notices, demands, consents, or other instruments given or required to be given hereunder shall be in writing and mailed by certified mail, return receipt requested, postage prepaid, and shall be directed to the parties hereto at the addresses set forth above. A party by like written notice may designate a different address to which subsequent notices shall be sent. A party bears full responsibility for notifying other parties of a change of address; notices sent to the last-known addresses determined in accordance with this paragraph are effective when sent even if not received.

(j) Partial Payment. No partial payment of a lesser amount than the full amount due under this Agreement shall be deemed to be other than on account of the full amount due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and the party receiving a partial payment may accept such check or payment without prejudice to the receiving party's right to recover the full amount due or pursue any other remedy provided under this Agreement.

(k) Partnership/Joint Venture. Nothing contained in this Agreement shall be deemed or construed by anyone as creating the relationship of principal and agent or a partnership or joint venture between the parties.

(l) Remedies Cumulative. The various rights and remedies contained in this Agreement shall not be considered as exclusive of any other right or remedy, but shall be construed as cumulative and shall be in addition to every other remedy now or hereafter existing at law, in equity, or by statute.

(m) Rules of Construction. All parties hereto have been fully involved in the negotiation and drafting of this Agreement. Each party has had the benefit of such counsel, legal or otherwise, as he or she saw fit (or at least the opportunity to obtain such counsel). Therefore, the parties waive any rule of contract construction whereby ambiguities are construed or resolved against the drafting party.

(n) Severability. If a provision of this Agreement is held invalid, all valid provisions that are severable from the invalid provision remain in effect. If a provision of this Agreement is held invalid in one of more of its applications, the provision remains in effect in all valid applications that are severable from the invalid application or applications.

(o) Survival. All warranties, representations, promises, covenants, and agreements specifically set forth in this Agreement shall survive the closing.

(p) Time. Time is of the essence.

(q) Waiver. No delay or omission of the right to exercise any power by a party shall impair any such right or power, nor shall be construed as a waiver of any default or as acquiescence in any default. One or more waivers of any covenant, term, or condition of this Agreement by a party may not be construed by another party as a waiver of a subsequent breach of the same covenant, term, or condition. The consent or approval by a party to or of any act by the another party of a nature requiring consent or approval may not be deemed a waiver or render unnecessary consent or approval of any subsequent similar act.

19. Legal Representation. Seller is represented by Dana J. Frohling of Frohling Law Office, attorneys at law, Britton, South Dakota, and Buyer is not represented by an attorney. All parties, by signing below, acknowledge that they have had ample opportunity to consult with such advisors, legal or otherwise, as they each deem necessary and appropriate.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

**SELLER:**

MULTI-COMMUNITY COOPERATIVE DAIRY

By Michael C. Wyum  
Michael Wyum, Its President

STATE OF SOUTH DAKOTA )  
 ) : ss.  
COUNTY OF MARSHALL )

On this 5<sup>th</sup> day of ~~March~~ <sup>Sept</sup>, 2008, before me, the undersigned officer, personally appeared MICHAEL WYUM, who acknowledged himself to be the President of MULTI-COMMUNITY COOPERATIVE DAIRY, a South Dakota cooperative corporation, and, as such officer, being authorized so to do, executed the foregoing instrument in the capacity therein stated for the purposes therein contained, by signing the name of the corporation as such officer.

In witness whereof, I hereunto set my hand and official seal.

(SEAL)

DANA J. FROHLING  
Notary Public - South Dakota  
My Commission Expires 09-22-2010

Dana J. Frohling  
Notary Public - South Dakota  
My Commission Expires \_\_\_\_\_

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

**BUYER:**

VEBLEN WEST DAIRY, LLP

By Richard Millner  
Richard Millner, Its Managing Partner

STATE OF SOUTH DAKOTA )  
 ) : ss.  
COUNTY OF MARSHALL )

On this 5<sup>th</sup> day of ~~March~~ <sup>Sept</sup>, 2008, before me, the undersigned officer, personally appeared RICHARD MILLNER, who acknowledged himself to be the managing partner of VEBLEN WEST DAIRY, LLP, a corporation, and, as such officer, being authorized so to do, executed the foregoing instrument in the capacity therein stated for the purposes therein contained, by signing the name of the corporation as such officer.

In witness whereof, I hereunto set my hand and official seal.

(SEAL)

DANA J. FROHLING  
Notary Public - South Dakota  
My Commission Expires 09-22-2010

Dana J. Frohling  
Notary Public - South Dakota  
My Commission Expires \_\_\_\_\_

**EXHIBIT 1(a)**  
**Real Property**

**Main Dairy Facility:**

Southeast Quarter of the Southeast Quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$ ), and the South 396' of the Northeast Quarter of the Southeast Quarter (NE $\frac{1}{4}$ SE $\frac{1}{4}$ ), Section Seventeen (17), Township One Hundred Twenty-eight North (128N), Range Fifty-three (53), West of the 5th P.M., Marshall County, South Dakota;

**Nickeson Lagoon Property north of main dairy facility:**

Northeast Quarter of the Southeast Quarter (NE $\frac{1}{4}$ SE $\frac{1}{4}$ ), Section Seventeen (17), Township One Hundred Twenty-eight North (128N), Range Fifty-three (53), West of the 5th P.M., Marshall County, South Dakota, EXCEPT the south three hundred ninety-six feet (S-396') thereof, and

**Nickeson Land east of lagoon:**

Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ SW $\frac{1}{4}$ ), Section Sixteen (16), Township One Hundred Twenty-eight North (128N), Range Fifty-three (53), West of the 5th P.M., Marshall County, South Dakota; and

**Dry Cow Facility west of main dairy facility, subject to lease:**

Southeast Quarter of the Southwest Quarter (SE $\frac{1}{4}$ SW $\frac{1}{4}$ ), Section Seventeen (17), Township One Hundred Twenty-eight North (128N), Range Fifty-three (53), West of the 5th P.M., Marshall County, South Dakota; and

**Feed Center in Veblen, subject to lease:**

Lots One (1), Two (2), Three (3), Four (4), Five (5), and Six (6), Block Eight (8), Rosholt's Addition to Veblen, Marshall County, South Dakota; and

Lots One (1), Two (2), and Three (3), Block Thirteen (13), Rosholt's Addition to Veblen, Marshall County, South Dakota; and

The East One-half of vacated Ballard Street west of Block Eight (8), all of vacated Prairie Avenue between Blocks Eight (8) and Thirteen (13), and the South one-half (S $\frac{1}{2}$ ) of Central Avenue between Blocks Seven (7) and Eight (8), all in Rosholt's Addition to Veblen, Marshall County, South Dakota; and

**Vendor's interest in Veblen Office Building, being sold under Contract for Deed:**

Lots One (1), Two (2), Three (3), Four (4), Five (5), Six (6), Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11), and Twelve (12), of Block Two (2), Rosholt's Addition to Veblen, Marshall County, South Dakota, subject to Contract for Deed recorded at Book A-39, Pages 249-252, and

**Mobile home lots:**

Lot Nine (9) and the East Half (E $\frac{1}{2}$ ) of Lot Ten (10), Block Five (5), Rosholt's Addition to Veblen, Marshall County, South Dakota; and

Lots Eleven (11) and Twelve (12) and the West Half (W $\frac{1}{2}$ ) of Lot Ten (10), Block Five (5), Rosholt's Addition to Veblen, Marshall County, South Dakota; and

Lots Eleven (11) and Twelve (12), Block Ten (10), Rosholt's Addition to Veblen, Marshall County, South Dakota,

all parcels subject to easements, reservations, and restrictions of record, if any, and to those facts which a survey would disclose.



**EXHIBIT 1(b)**  
**Personal Property**

1. Real Property. Vendor's interest in real property (office building) located in Veblen, South Dakota, subject to Contract for Deed with Prairie Ridge Management, LLC:  

Lots One (1), Two (2), Three (3), Four (4), Five (5), Six (6), Seven (7), Eight (8), Nine (9), Ten (10), Eleven (11), and Twelve (12), of Block Two (2), Rosholt's Addition to Veblen, Marshall County, South Dakota.

Personal property included in Contract for Deed includes computers and software, file cabinets, desks and conference tables, lobby furniture, copiers, printers, maintenance tools, maintenance parts, and shop supplies. A balloon payment is due on June 1, 2008, to pay the Contract balance in full. If all payments are timely made, the balloon payment will be \$615,298.94.
2. Milk Cows. 3,850 milking cows. Approximately 85% will be 3-way crosses (Jersey, Scandinavian Reds, and Holsteins) and remaining 15% are pure Holstein cows.
3. Accounts and Notes Receivables. All accounts receivables and notes receivable existing as of the date of possession.
4. Manure Easements. All manure easements associated with the real property shown on Exhibit 1(a).
5. Inventory. All of Seller's finished goods, raw materials, work in process, supplies, and inventories of any kind and description.
6. Intangible Property. All trademarks, copyrights, patents, patent licenses, applications for patents, job rights, and rights to inventions of Seller more particularly described as follows:
  - (a) All ownership and rights to the names "Multi-Community Cooperative Dairy" and "MCC Dairy" and any logos or marks associated therewith or related thereto.
7. Other Property. All of Seller's other property and assets of whatever nature and wherever situated, including, but not limited to, books and records, engineering or architect's reports or plans, and all other assets, tangible or intangible, used in or for the dairy operations.

**EXHIBIT 2**  
**Purchase Price Worksheet**

<b>1. AgStar loans assumed by Buyer:</b>		
2.	Operating Account #1092742900/feed note	\$750,000.00
3.	Operating Account #1136694700/revolving cow note	\$4,329,150.00
4.	Intermediate Term Account #1136735700, equipment	\$138,452.48
5.	Mortgage Account #7598283400, facility loan	\$5,624,390.14
6.	Mortgage Account #7609439700, construction	\$2,819,273.97
7.	Mortgage Account #7626050500, facility Const	\$2,594,320.77
8.	Subtotal for AgStar loans assumed by Buyer	<u>\$16,255,587.36</u>
<b>9. Other loans assumed by buyer:</b>		
10.	\$1,000,000 Rural Electric Economic Development (REED) loan dated 12/12/06; 3/31/08 balance	\$962,622.40
11.	Subtotal for other loans assumed by Buyer	<u>\$962,622.40</u>
<b>12. Creditor claims assumed by Buyer:</b>		
13.	Schedule C – claims assumed by Buyer for later payment with consent of creditors	\$4,466,937.54
14.	Schedule D – leases and contracts assumed by Buyer for later payment as amounts become due – assumption by Buyer approved by creditors	\$5,021,882.61
15.	Schedule E – claims already paid in the ordinary course of business after 3/31/08	\$36,644.35
16.	Schedule F – disputed claims assumed by Buyer with reservation of right to contest or litigate (estimated because Nickeson lawsuit did not specify amount of damages)	\$1,807,513.31
17.	Subtotal of creditor claims assumed by Buyer	<u>\$11,332,977.81</u>
18.	Subtotal of indebtedness assumed and not paid at closing	<u>\$28,551,187.57</u>
<b>19. Creditor claims and expenses to be paid at closing:</b>		
20.	Schedule A – creditor claims accepted for payment in full at closing	\$1,153,102.89
21.	Schedule B – administrative claims paid at closing	\$178,634.80
22.	Seller's closing costs from closing statement (real estate taxes, title insurance, transfer fee)	\$71,784.21
23.	Subtotal of indebtedness to be paid at closing	<u>\$1,403,521.90</u>
24.	Total of all amounts to be assumed or paid at closing	<u>\$29,954,709.47</u>
25.	Minimum purchase price	\$23,000,000.00
26.	Shortfall owed, if any, to meet minimum price	(\$6,954,709.47)

**See attached Schedules A-F.**

**SCHEDULE A – ACCEPTED CREDITOR’S CLAIMS**

The following claims were submitted to the receiver by creditors and are not disputed by Seller. These claims will be paid at the time of closing.

	<b>Creditor's Name</b>	<b>Agreed Claim Amount</b>	<b>Previous Payment</b>	<b>Balance Due At Closing</b>
1.	A-Tech	\$6,332.85	\$0.00	\$6,332.85
2.	Backer's Welding	\$21,533.51	\$17,338.55	\$4,194.96
3.	BDM Rural Water	\$12,538.00	\$0.00	\$12,538.00
4.	Champion Milking Systems, LLC	\$7,377.00	\$0.00	\$7,377.00
5.	CMP Dairy Consulting, LLC	\$4,500.00	\$3,000.00	\$1,500.00
6.	Dairyland Laboratories	\$58.41	\$0.00	\$58.41
7.	Dairyland Supply Inc.	\$7,032.61	\$0.00	\$7,032.61
8.	Elite Drain & Sewer	\$1,167.09	\$0.00	\$1,167.09
9.	EM Tools	\$758.77	\$0.00	\$758.77
10.	Farmers Elevator, Inc.	\$100,025.40	\$0.00	\$100,025.40
11.	Hill, Willard	\$1,000.00	\$0.00	\$1,000.00
12.	LuciData, Inc.	\$13,218.11	\$2,538.03	\$10,680.08
13.	Milbank Winwater	\$3,770.07	\$0.00	\$3,770.07
14.	Minn-Dak Farmers Cooperative	\$30,600.47	\$0.00	\$30,600.47
15.	Minnesota Select Sires	\$11,783.04	\$0.00	\$11,783.04
16.	Pherson, Mac	\$18,573.70	\$0.00	\$18,573.70
17.	Ronglien Excavating Inc.	\$272,987.23	\$0.00	\$272,987.23
18.	Schumacher Sales Co. Inc.	\$6,853.50	\$0.00	\$6,853.50
19.	Shortfoot Calf Ranch, Inc.	\$20.00	\$0.00	\$20.00
20.	Smith Haygrinding	\$5,208.00	\$2,296.00	\$2,912.00
21.	Stockmen's Supply	\$122,543.13	\$0.00	\$122,543.13
22.	Twin City Garage Door Inc.	\$239.56	\$0.00	\$239.56
23.	Central Livestock Association	\$84,450.31	\$0.00	\$84,450.31
24.	Genex Cooperative, Inc.	\$444,963.34	\$0.00	\$444,963.34
25.	Home Shop	\$162.37	\$0.00	\$162.37
26.	Rein Construction, Inc.	\$552.50	\$0.00	\$552.50
27.	Smeins, Danny-Attorney	\$26.50	\$0.00	\$26.50
	<b>Total</b>	<b>\$1,178,275.47</b>	<b>\$25,172.58</b>	<b>\$1,153,102.89</b>

**SCHEDULE B – ADMINISTRATIVE CLAIMS**

The following administrative claims will be paid at the time of closing.

	<b>Creditor's Name</b>	<b>Amount</b>
1.	WW Wiesfenning, accountants	\$6,214.80
2.	Frohling Law Office	\$45,000.00
3.	Zitzow, appraiser, additional fee	\$5,000.00
4.	Clair Gerry, receiver	\$35,000.00
5.	Bradley Business Advisors, consultant on sale	\$87,420.00
	<b>Total</b>	<b>\$178,634.80</b>

**SCHEDULE C – ASSUMED CLAIMS**

The following claims were submitted to the receiver by creditors and are not disputed by Seller. These claims will be assumed by Buyer with the consent of the creditors.

	<b>Creditor's Name</b>	<b>Amount</b>
1.	Baldwin, Duane	\$141,695.41
2.	Cropfax Inc.	\$2,999.88
3.	Dairy Dozen-Heifers (formerly RW Heifers)	\$371,931.58
4.	Dairy Dozen-Veblen	\$157,530.00
5.	Dawson Truck Parts Inc.	\$3,342.23
6.	Hill Farms - corn only	\$103,455.28
7.	Jacobson Transport Inc.	\$219,214.73
8.	Medhaug, Jason	\$13,085.75
9.	Millner, Rick	\$204,868.44
10.	Pherson Farms	\$147,314.23
11.	Prairie Ridge Management Company, LLC	\$272,833.58
12.	Veblen East	\$2,389,703.28
13.	Wyum, Michael	\$50,000.00
14.	Cliff Viessman, Inc.	\$239,305.10
15.	Briggs and Morgan	\$149,658.05
	<b>Total</b>	<b>\$4,466,937.54</b>

**SCHEDULE D – ASSUMED LEASES AND CONTRACTS**

The following leases and installment contracts are not disputed by Seller and are being assumed by Buyer with the consent of the creditors.

	<b>Creditor's Name</b>	<b>Amount</b>
1.	Caterpillar Financial Services - installment contracts	\$405,511.35
2.	John Deere Credit - installment contracts	\$32,602.88
3.	John Deere - leases	\$163,276.30
4.	Wells Fargo Financial Leasing - lease	\$62,529.62
5.	Volvo Leasing - lease	\$34,062.48
6.	Mid-America Leasing - lease	\$37,158.37
7.	Northland Capital - lease	\$33,388.70
8.	DeLage Landen Financial (DLL) - lease	\$10,458.00
9.	AMPI/Blimling milk lawsuit settlement (case settled for \$850,000, to be allocated between several dairies; MCC share is shown; will be repaid from future capital credits/retains)	\$409,856.72
10.	AMPI milk contract losses - April through July (actual losses)	\$1,123,012.65
11.	AMPI milk contract losses - August through December (estimated losses)	\$2,710,025.54
	<b>Total</b>	<b>\$5,021,882.61</b>

**SCHEDULE E – CLAIMS PAID IN NORMAL COURSE**

The following claims were submitted to the receiver by creditors and are not disputed by Seller. These claims were previously paid in the normal course of business.

	<b>Creditor's Name</b>	<b>Amount</b>
1.	City of Veblen	\$1,095.51
2.	Consolidated Ready Mix, Inc.	\$2,677.22
3.	Farm Tek	\$275.11
4.	K-Scale	\$1,050.40
5.	Lake Region Electric	\$20,998.12
6.	Mike's Heating & Cooling Inc.	\$506.02
7.	Northern Safety Co., Inc.	\$547.45
8.	Stockholm Refrigeration, Inc.	\$5,225.61
9.	Tri-County Veterinary Clinic	\$4,268.91
	<b>Total</b>	<b>\$36,644.35</b>

**SCHEDULE F – DISPUTED CLAIMS**

The following claims were submitted to the receiver by creditors and are disputed by Seller. These claims are being assumed by Buyer and are being guaranteed by Buyer's principals, but Buyer reserves the right to contest or litigate such claims.

	<b>Creditor's Name</b>	<b>Amount</b>
1.	B & E Concrete, Inc.	\$22,348.26
2.	James L. Nickeson Farms, Inc., lawsuits and threatened claims	\$581,897.00
3.	Lee Nickeson	\$12,036.80
4.	Mary Ann Ochs (claim is for equity investment, not services or supplies)	\$59,500.00
5.	Person Family Trust	\$98,586.00
6.	Rohweder, Curtis (claim is for equity investment, not services or supplies)	\$79,500.00
7.	Tank's Backhoe Service	\$203,805.37
8.	Coteau Des Prairie Hospital - worker's comp claim which will be paid by insurance company	\$0.00
9.	Veblen District derivative lawsuit (Counts 3 and 7)	\$250,000.00
10.	CNA insurance lawsuit seeking refund of attorneys fees paid by insurer	\$400,000.00
11.	OFC Capitol Corp - lease (paid in full each month)	\$1,217.48
12.	KLC Financial, Inc. - lease	\$98,622.40
	<b>Total</b>	<b>\$1,807,513.31</b>

**EXHIBIT 3**  
**Seller's Obligations Assumed By Buyer**

Buyer will assume the following obligations of Seller:

1. Employee Benefits. Buyer will assume Seller's obligation to pay accrued employee benefits such as vacation time and sick leave which are accrued but unpaid at the date of possession.
2. Milk Contracts. Buyer will assume all outstanding futures milk contracts with Associated Milk Producers, Inc. (AMPI).
3. Leases and Installment Contracts. Buyer will assume all outstanding equipment and facility leases and installment contracts of Seller, including, but not limited to the following:
  - (a) Caterpillar Financial Services equipment loan/loans, contract #001-0372449-000, #001-0469209-000, and #001-0436707.
  - (b) John Deere Finance equipment loan/loans, with an outstanding balance of approximately \$35,320.
  - \* (c) De Lage Landen Financial Services, Wayne, Pennsylvania, contract #24749569.
  - (d) Wells Fargo Financial Leasing, Inc., agreement #007-0068749.
  - (e) Mid America Leasing, lease #416055-1, #416055-8, #500076, #500061, and #416055.
  - \* (f) Volvo Financial Services, master lease number 001 dated 10/24/07..
  - \* (g) Northland Capital Financial Services, LLC, lease number 6409-1 dated August 11, 2006, covering a 2003 Meyer Vertical Screw manure spreader and a 2007 Delta flatbed trailer.
  - (h) KLC Financial/OFC Capital, lease #060505.
  - (i) Commercial Real Estate Lease agreement dated September 1, 2007, between Seller as landlord and Veblen East Dairy LP as tenant, which terminates on December 31, 2008, and which affects those parcels of real property shown on Exhibit 1(a) as the feed center.
4. AgStar Loans. Buyer will assume all outstanding loans with AgStar, including, but not limited to, the following:
  - (a) AgStar Loan # 42900, with an outstanding balance of approximately \$750,000.
  - (b) AgStar Loan # 39700, with an outstanding balance of approximately \$2,819,274.
  - (c) AgStar Loan # 50500, with an outstanding balance of approximately \$2,594,321.
  - (d) AgStar Loan # 83400, with an outstanding balance of approximately \$5,624,390.
  - (e) AgStar Loan # 35700, with an outstanding balance of approximately \$138,542.
  - (f) AgStar Loan # 94700, with an outstanding balance of approximately \$4,329,150.
5. REED Loan. Buyer will assume the outstanding loan with Rural Electric Development, Inc., described as follows:
  - (a) Note and mortgage executed by Seller to Rural Electric Development, Inc., 121 SE 1st Street, PO Box 227, Madison, South Dakota, in the amount of \$1,000,000, due 60 months from date of note, dated December 12, 2006, and recorded December 20, 2006, at 9:55 a.m., in Book 161 of mortgages, pages 69-70.
6. Notes & Accounts Payables. Buyer will assume all outstanding indebtedness to the following:
  - (a) Dairy Dozen-Heifers (formerly known as R&W Heifers), with an outstanding balance of



approximately \$371,931.58.

(b) AMPI Milk contract loss/gain, with an estimated outstanding balance of approximately \$3,833,038.19 through December 2008.

(c) Veblen East Dairy Limited Partnership, with an outstanding balance of approximately \$2,389,703.28.

7. Administrative Costs and Fees. All administrative costs and fees associated with Seller's liquidation, including, but not limited to, the fees of Clair Gerry, court-appointed receiver, Wayne Bradley, broker/consultant, and Seller's attorneys, accountants, and advisors.

8. Litigation. Buyer (Veblen West Dairy, LLP, or VWD) shall assume the liability of Seller (MCC) as to defense costs and as to settlements or judgments, if any, regarding the following claims:

(a) Multi-Community Cooperative Dairy v. James L. Nickeson Farms, Inc.; Marshall County, South Dakota, Circuit Court File No. 06-058, and

(b) James L. Nickeson Farms, Inc., et al., v. Multi-Community Cooperative Dairy; Marshall County, South Dakota, Circuit Court File No. 07-20, and

(c) Multi-Community Cooperative Dairy v. James L. Nickeson, Marshall County, South Dakota, Circuit Court File No. 07-24, and

(d) Veblen District, et al., v. Multi-Community Cooperative Dairy, et al.; Marshall County, South Dakota, Circuit Court File No. 07-85, and

(e) James L. Nickeson Farms, Inc., et al., v. Multi-Community Cooperative Dairy; Marshall County, South Dakota, Circuit Court File No. 08-12, and

(f) The claims asserted by James L. Nickeson in a letter dated February 19, 2008, from Nickeson's attorney, Mark R. Hanson, to Jack Y. Perry and Dana J. Frohling, a copy of which is attached hereto and incorporated herein, and

(g) Associated Milk Producers, Inc., v. Blimling & Associates, et al.; Brown County, Minnesota, District Court File No. (no file number yet – case has been served but not filed), and

(h) Continental Casualty Company v. Multi-Community Cooperative Dairy, Richard Millner, Aaron Anderson, Matthew Millner, Dennis Pherson, Jr., Jordan Hill, Wayne Viessman, Michael Wyum, Duane Baldwin, Veblen District, Jerry Pierson, Clarice Blaeser, Don Monson, Scott Nickeson, Ron Nickeson, Gerry Person, Ralph Keintz, Leroy Aadland, Carman Lien, Gerald Heitmann, James L. Nickeson Farms, Inc., and James L. Nickeson, file number Civ 08-1010, filed in United States District Court for the District of South Dakota, Northern Division, and

(i) "Loss" resulting from "claims" that should be covered under Seller's Not-for-Profit Organization/Association Professional Liability Policy issued by CNA Insurance ("CNA Policy") because any of the above referenced claims are covered under the CNA Policy. That is, the second claim involves "Interrelated Wrongful Acts" as defined in the CNA Policy with those involved in the other claims listed above (jointly referred to hereinafter as the "Claims"). Such assumption of liability as to any Claims shall include MCC's indemnification obligations to any current or former directors, officers, or employees of MCC ("MCC's Indemnitees") for reasonable defense costs and settlements or judgments, if any, as to the Claims ("MCC Indemnity Obligations"). VWD's indemnity obligation as to settlement shall be limited to settlements which are reasonable and for which it consents in advance. VWD's indemnity obligations as to defense costs shall be limited to those attorneys fees and expenses that are reasonable and to any expert fees and expenses to which MCC consents in advance. VWD's indemnity obligations hereunder hereafter referred to as "VWD's Indemnity Obligations".

In the event insurance coverage for any Claim or Claims is available directly to MCC's Indemnitees, to MCC for its own liability, or to MCC for MCC's Indemnity Obligation under any policy as to which MCC paid the



premiums (“MCC Policy”), then VWD’s Indemnity Obligation shall be only for any amounts that exceed the applicable limits of the insurance policy or that portion of VWD’s Indemnity Obligations as to which insurance coverage is not available in accordance with the terms of such policy.

In the event that VWD believes that insurance coverage for any Claim is available pursuant to the terms of an MCC Policy but the insurer refuses to meet its obligation as to such Claim, then VWD shall be entitled, at its option and its own expense, either to take assignment of any right under such policy, including the right to reimbursement, to pursue such policy rights, including the right to reimbursement, or to sue in the name of MCC or MCC’s Indemnitees to enforce the insurer’s policy obligations. In the event of recovery from such carrier, such recovery shall first be used to pay VWD’s attorneys fees and costs incurred to pursue coverage, then to pay to third parties the unpaid portion of any reasonable defense costs and any settlement or judgment still owed by MCC or MCC’s Indemnitees to third parties, and then to reimburse VWD for any such amounts paid by VWD.

Any assignment of any kind of VWD’s Indemnity Obligation by MCC or MCC’s Indemnitees shall void VWD’s Indemnity Obligations under this Agreement as to the assigning person or entity.

Attachment:

Nickeson demand letter dated February 19, 2008

***NILLES LAW FIRM***  
*ATTORNEYS AND COUNSELORS AT LAW*

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• Also Licensed in South Dakota  
+ Also Licensed in Montana  
oAlso Licensed in California and New Hampshire

E. Thomas Conny, III Retired

February 19, 2008

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Re: Multi-Community Cooperative Dairy v. James L. Nickeson Farms, Inc., and James L. Nickeson, individually  
Our File No. 06-439.001

Counsel:

Based upon prior communications it is my understanding that Dana Frohling is acting as MCC Dairy's corporate attorney. I understand Jack Perry is representing MCC Dairy in any litigation; Reed Rasmussen is representing the individual MCC Dairy Board members and Richard Millner in the pending litigation; and, Steven Sandven is representing some of the MCC Dairy members in the pending litigation. Because Mr. Frohling is representing, and has in the past represented,

Page 2

February 19, 2008

MCC Dairy outside of any litigation, he appears to be the appropriate person to address this letter. Even so, and out of an abundance of caution, I am sending this letter to all counsel.

On behalf of Jim Nickeson, Camille Nickeson, Lee Nickeson, and Darci Ihrke, all voting members and equity owners of MCC Dairy, I hereby demand pursuant to South Dakota Law, including SDCL 15-6-23.1, that the directors of MCC Dairy bring an appropriate action against Richard Millner and the appropriate MCC Dairy Board members for the conduct alleged in the pleadings filed and served in the following actions: Veblen District, et. al. v. MCC Dairy, et. al. filed in the Circuit Court, Marshall County, State of South Dakota, Court File No.: 07-85; and/or the proposed amended complaint filed by the members/shareholders captioned Sisseton – Wahpeton Oyate, Veblen District, et. al. v. Richard Millner, et. al. – with the same Court File number.

The improper conduct includes the following:

1. *Business Arrangements Between MCC Dairy and Surrounding Dairies*
  - a. Richard Millner, at all material times, has been the Manager of MCC Dairy, either individually or through control of Prairie Ridge Management, LLC and is also the registered agent for Veblen East Dairy LP, an organization that is building one of the largest dairies in the country less than four miles from MCC Dairy.
  - b. Veblen East Dairy LP shares its mailing address of P.O. Box 157, Veblen, South Dakota 57270 with Prairie Ridge Management, LLC a management company in which Millner holds an ownership interest. The partners of Veblen East are the "Dairy Dozen — Veblen LLP". MCC Dairy's mailing address also is P.O. Box 157, Veblen, SD.
  - c. The owners of the Dairy Dozen - Veblen LLP include Richard Millner and the following current directors of MCC Dairy: Aaron Anderson; Duwayne Baldwin; Dennis Pherson, Jr.; Jordan Hill; Wayne Viessman; and Michael Wyum.
  - d. Prairie Ridge Management, LLC is a corporation organized and existing under the laws of the State of South Dakota with its principal place of business located in Veblen, South Dakota. Prairie Ridge Management, LLC shares its mailing address of P.O. Box 157, Veblen, South Dakota 57270 with Veblen East LP. Prairie Ridge Management, LLC was incorporated by Millner to serve as the administrative umbrella for the following dairies: (1) Veblen East; (2) Lone Tree Dairy; (3) New Horizons Dairy; (4) MCC Dairy; and (5) Excel Dairy.
2. *MCC Assets Transferred to Prairie Ridge Management, LLC*
  - a. Throughout 2007 MCC Dairy, through its Board of Directors and Manger Richard Millner, entered into several agreements with Prairie Ridge Management for

Page 3

February 19, 2008

management services, reproductive services and supply services that MCC Dairy otherwise provided to itself prior to the execution of those agreements. The management services agreement alone, based on information and belief, requires MCC Dairy to compensate Prairie Ridge Management \$35,000.00 per month. The management agreement also allows Prairie Ridge Management, LLC to, among other things, proceed with capital improvements, expansions, equipment additions or changes, and changes to MCC Dairy's operations without MCC Dairy's prior approval if the estimated cost of such improvements, expansion, equipment or changes does not exceed \$250,000.00.

- b. The MCC Board and Manager have allowed MCC Dairy maintenance employee(s) and associated equipment, as well as several accounting and administrative employees, to be transferred to Prairie Ridge Management, LLC.
- c. The MCC Board and Manager also allowed MCC Dairy to transfer homes for employee housing to Prairie Ridge Management, LLC without properly notifying the members/shareholders of MCC Dairy.
- d. The MCC Board and Manager also sold MCC Dairy's administrative building owned to Prairie Ridge Management, LLC.

3. MCC Assets Transferred to Veblen East

- a. On, or about, September 1, 2007, the MCC Board and Manager leased MCC's feeding facility and associated equipment to Veblen East LP. The lease term runs through December 2008, which Veblen East may renew for one extended term of 1 year. Based on information and belief, there is no written agreement in place for MCC Dairy to purchase feed as part of this agreement, despite this being a critical component of any dairy, and the lease agreement does not provide for MCC's concurrent use of the facility.
- b. The MCC Board and Manager have allowed MCC Dairy employees to continue to provide labor at the feeding facility and the lease agreement referenced above also provides Veblen East the exclusive use of MCC's grain storage equipment and other machinery at the feeding facility.
- c. On, or about, September 1, 2007, the MCC Board and Manager also agreed to lease the dry cow facility and associated structures owned by MCC Dairy to Veblen East LP through December 2008.
- d. Based on information and belief, the MCC Board and Manager sold to Veblen East LP a substantial number of cows between June 2007 and December 31, 2007.

Page 4

February 19, 2008

3. Dissolution of MCC Dairy
  - a. In or about the November, 2007, several of the MCC Dairy Board participated in a "meeting without a meeting" to ensure that an additional 85 voting shares were issued to the Board members or their family or other individuals associated with the Board members.
  - b. In or about November, 2007, the MCC Board added 85 voting shares in MCC Dairy to ensure that the vote on dissolution of MCC Dairy passed. The result is that, apparently, the MCC Board Members and Millner, themselves and through individuals within their control, such as family members, now own more than 80% of the membership stock.
  - c. Some of the MCC Board members and Richard Millner, who are also owners of Veblen East, have expressed their intention to bid on MCC Dairy in the dissolution sale.
  - d. The transferring of MCC's assets and business opportunities to Prairie Ridge Management and Veblen East, as described above, has the effect of decreasing the possible pool of purchasers of MCC Dairy in the dissolution and also has decreased the price that the MCC Board members who desire to purchase MCC Dairy will have to pay.

In the event that the Board Members do not bring the appropriate action or because of their involvement in the conduct this demand is futile, useless, or ends up being unavailing, Jim Nickeson, Camille Nickeson, Lee Nickeson, and Darci Ihrke hereby demand pursuant to South Dakota Law, including SDCL 15-6-23.1, that a meeting be scheduled of the Members of MCC Dairy to discuss whether the members/shareholders desire to bring an appropriate action against Richard Millner and the appropriate Board members of MCC Dairy for the conduct alleged above.

Because more than 80% of the membership stock of MCC Dairy appears to now be held by the Directors, Mr. Millner, and others controlled by them, such as their family members, there does not appear to be a mechanism for the members to call a meeting, but rather a meeting must be called by the President of MCC Dairy. (See Section 2.2 of the By Laws). If I am mistaken, please advise. Also, because the vast majority of the membership stock of MCC Dairy is held and controlled by the Board and Mr. Millner, the Board should appoint a special litigation committee consisting of one or more independent persons to consider the legal rights or remedies of MCC Dairy and whether those rights or remedies should be pursued.

In light of the Court's appointing a receiver to oversee the dissolution sale of MCC Dairy, another opportunity exists for the MCC Board to address the issues above before the dissolution

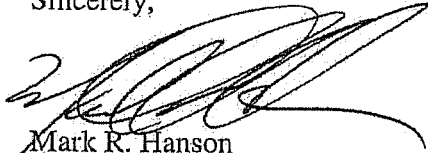
Page 5

February 19, 2008

is completed. However, since MCC is in the process of being dissolved, time is of the essence for the MCC Board to address the demand contained herein.

I look forward to hearing your response to the request made in this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark R. Hanson', with a large, sweeping flourish extending from the bottom left.

Mark R. Hanson

MRH/bjb

cc: Jim Nickeson  
Lee Nickeson  
Darci Ihrke

**EXHIBIT 4(c)**  
**Real Estate Encumbrances and Liens**

The Real Property is free from all encumbrances, except the following:

1. Patent reservations.
2. Rights of the public in all roads, highways, and section lines not heretofore vacated.
3. Public utility easements (e.g. telephone, electrical, and water system lines) not materially affecting use of the Real Property.
4. Existing zoning ordinances.
5. Mortgage executed by Seller to AgStar Financial Services, FLCA, 2912 Pioneer Avenue, Rice Lake, WI 54868, in the amount of \$8,780,000, due September 1, 2021; dated September 14, 2005, and recorded September 14, 2005, at 2:30 p.m., in Book 156 of mortgages, pages 683-688.
6. Mortgage executed by Seller to Rural Electric Development, Inc., 121 SE 1st Street, PO Box 227, Madison, South Dakota, in the amount of \$1,000,000, due 60 months from date of note, dated December 12, 2006, and recorded December 20, 2006, at 9:55 a.m., in Book 161 of mortgages, pages 69-70.
7. Mortgage executed by Seller to AgStar Financial Services, PCA, in the amount of \$7,840,000, due September 1, 2012; dated September 14, 2005, and recorded September 14, 2005, at 2:30 p.m. in Book 156 of mortgages, pages 689-694. Such mortgage was subordinated to the AgStar Financial Services, FLCA, mortgage on August 29, 2006, and recorded September 8, 2006, at 9:55 a.m., in Book 159 of mortgages, pages 793-795. Such mortgage was subordinated to Rural Electric Economic Development, Inc., mortgage on December 29, 2006, and recorded January 10, 2007, at 10:10 a.m., in Book 161 of mortgages, pages 216-217.
8. Mortgage executed by Seller to AgStar Financial Service, FLCA, PO Box 4249, Mankato, Minnesota 56002-4249, in the amount of \$3,000,000, due August 1, 2021; dated July 24, 2006, and recorded July 25, 2006, at 9:45 a.m., in Book 159 of mortgages, pages 400-404.
9. Subject to terms, conditions and provisions of Contract for Deed by and between Multi-Community Cooperative Dairy, Seller, and Prairie Ridge Management Company, LLC, Purchaser, of Lots 1-12, Block 2, Rosholt's Addition, Veblen; dated June 29, 2007 and recorded June 6, 2008, at 3:10 P.M. in Book A39, Pages 249-252.
10. Excepts Lot H-1 in SE1/4SW1/4, 17-128-53, as shown in Warranty Deed executed by William J. Borgen and Jennie Borgen, to the State of South Dakota; dated April 29, 1970 and recorded July 3, 1970 at 10:00 A.M. in Book A1 5, Page 16.
11. Excepts 3.23 acres, more or less, in SW1/4 and SE1/4, 17-128-53, as shown on page 5 of 7 and on page 6 of 7 of the Plat executed by the State of South Dakota, dated May 19, 1970 and recorded in Book 2, Page 229.
12. Excepts the Northerly 75' of Station Lot 15 and that part of Station Lot 17 which lies Southerly of the South line of Prairie Avenue known as Farmers Elevator Co., said property be adjacent to the West edge of Lots 1 and 2 and part of Lot 3, all in Block 13, Rosholt's Addition to the City of Veblen; as shown in the Sheriffs Deed and Bill of Sale executed by the Sheriff of Marshall County, South Dakota, to Farmers Elevator Company, Eden, recorded November 19, 2001 at 8:35 A.M. in Book A33, Pages 367-368.
13. Financing Statement - Multi-Community Cooperative Dairy, Debtor, to Wells Fargo Financial Leasing, Inc., P.O. Box 4943, Syracuse, NY 13221, Secured Party. 804 Norbco Headlocks and 804 Norbco stalls on SE1/4SW1/4, 17-128-53. This is a lease transaction and this filing is made for informational purposes only; filed July 28, 2004 at 1:00 P.M. (#14592)
14. Mortgage executed by Multi-Community Cooperative Dairy, a South Dakota Cooperative, to AgStar



Financial Services, FLCA, 2912 Pioneer Avenue, Rice Lake, WI 54868, in the amount of \$8,780,000.00, secured by the above described land, and due September 1, 2021; dated September 14, 2005 and recorded September 14, 2005 at 2:30 P.M. in Book 156, Pages 683-688.

15. Mortgage executed by Multi-Community Cooperative Dairy, a South Dakota Cooperative, to AgStar Financial Services, PCA, in the amount of \$7,840,000.00, secured by the above described real estate, and due September 1, 2012; dated September 14, 2005 and recorded September 14, 2005 at 2:30 P.M. in Book 156, Pages 689-694.

Subordination of above Mortgage executed by AgStar Financial Services, PCA, to AgStar Financial Services, FLCA; dated August 29, 2006 and recorded September 8, 2006 at 9:55 A.M. in Book 159, Pages 793-795.

Subordination of above Mortgage executed by AgStar Financial Services, to Rural Electric Economic Development, Inc.; dated December 29, 2006 and recorded January 10, 2007 at 10:10 A.M. in Book 161, Pages 216-217.

16. Mortgage executed by Multi-Community Cooperative Dairy, a South Dakota Cooperative, to Rural Electric Economic Development, Inc., 121 SE 1st St, Po Box 227, Madison, SD, in the amount of \$1,000,000.00, due 60 months from date of note; dated December 12, 2006 and recorded December 20, 2006 at 9:55 A.M. in Book 161, Pages 69-70.

17. Mortgage executed by Multi-Community Cooperative Dairy, to AgStar Financial Service, FLCA, P.O. Box 4249, Mankato, MN 56002-4249, in the amount of \$3,000,000.00, due August 1, 2021; dated July 24, 2006 and recorded July 25, 2006 at 9:45 A.M. in Book 159, Pages 400-404.

18. Right of Way Easement executed by William J. Brogen and Jennie Brogen, his wife, to Otter Tail Power Company, a Minnesota corporation, granting a perpetual easement with the right to erect, construct, maintain, etc. in connection with the operation of a rural electric company and constitutes a covenant running with the land, over, across and through the SE1/4SW1/4, 17-128-53, North of and parallel with and from 100' to 105' distant from the center line of the East-West public road as said road now exists along the South edge of the above described real property; dated September 20, 1962 and recorded December 27, 1962 at 8:00 A.M. in Book TM, Page 507.

19. Right of Way Easement executed by The United States of America, acting by and through the Superintendent of the Sisseton Indian Agency, Bureau of Indian Affairs, Department of the Interior, to the State of South Dakota, granting an easement for a right-of-way for Highway Project S-2592(7), over, across and through SW1/4SE1/4, 17-128-53; and SE1/4SE1/4, 17-128-53; and other land. Dated January 20, 1971 and recorded February 4, 1971 at 11:00 A.M. in Book VM, Page 475.

20. Substation Easement executed by Veblen Cheese Factory, Inc., to Otter Tail Power Company of Fergus Falls, MN, granting an easement for the construction, operation, maintenance and repair of an electrical system upon Lots 5 and 6, Block 2, Rosholt's Addition to Veblen, described as follows: 51' x 40' plot, commencing at the Southeast corner of said Lot 6, Block 2, thence North along the East line of Lots 6 and 5 for a distance of 59' to point of beginning, thence West parallel with North line of Lot 5 for a distance of 51', thence deflect left 90 degrees for a distance of 40 feet, thence deflect left 90 degrees for a distance of 51 feet, thence deflect left 90 degrees for a distance of 40 feet, to the point of beginning; dated July 28, 1992 and recorded August 18, 1993 at 9:30 A.M. in Book HHM, Pages 52-53.

21. Perpetual Easement for Utility Strip executed by Multi-Community Cooperative Dairy, to the City of Veblen, a municipal subdivision of the State of South Dakota, granting a perpetual easement for a utility strip over, across, under and through SE1/4SE1/4, 17-128-53; dated March 26, 1998 and recorded October 21, 1998 at 3:55 P.M. in Book KKM, Pages 177-181.

Assignment of above Easement executed by the City of Veblen, to Veblen Dairy/Water Line Investment Group Trust, P.O. Box 137, Veblen, SD 57270; dated October 29, 1998 and recorded September 4, 2004 at 1:25 P.M. in Book OOM, Pages 278-280.



22. Perpetual Easement for Utility Strip executed by Nickeson Farms, to City of Veblen, on NW $\frac{1}{4}$ SW $\frac{1}{4}$ ,16-128-53; dated July 1, 1998 and recorded October 21, 1998 at 3:55 P.M. in Book KKM, Pages 182-185.  
Assignment of above Easement executed by City of Veblen, to Veblen Dairy/Water Line Investment Group Trust; dated October 29, 1998 and recorded September 3, 2004 at 1:25 P.M. in Book OOM, Pages 278-280.
23. Right of Way Easement executed by Nickeson Farms, Inc., granting a perpetual easement with the right to erect, construct, maintain, etc. in connection with the operation of a rural water system and constitutes a covenant running with the land, over, across and through the NE $\frac{1}{4}$ SE $\frac{1}{4}$ , 17-128-53, and other land; dated February 10, 1999 and recorded March 1, 1999 at 2:10 P.M. in Book KKM, Page 298.
24. Right of Way Easement executed by Aaron Anderson and Joan Anderson, to BDM Rural Water Systems, Inc., granting a perpetual easement with the right to erect, construct, maintain, etc; in connection with the operation of a rural water system, and constitutes a covenant running with the land, over, across and through the S $\frac{1}{2}$ SW $\frac{1}{4}$ , 17-128-53; dated March 27, 1999 and recorded March 30, 1999 at 11:30 A.M. in Book KKM, Page 466.
25. Subject to City of Veblen Resolution Recitals executed by the City of Veblen, to MCC Dairy, a cooperative association, whereby the City of Veblen grants to MCC Dairy a waiver from the separation distance required by County Ordinance No 16 to allow construction and operation of the 3000 animal unit dairy one mile, 440 feet from the city of Veblen; recorded June 10, 1997 at 11:30 A.M. in Book JJM, Pages 197-198.
26. Right of Way Easement executed by Multi-Community Cooperative Dairy, to BDM Rural Water Systems, Inc., granting a perpetual easement with the right to erect, construct, maintain, etc. in connection with the operation of a rural water system and constitutes a covenant running with the land, over, across and through the SE $\frac{1}{4}$ SE $\frac{1}{4}$ , 17-128-53; dated February 10, 1999 and recorded March 1, 1999 at 2:10 P.M. in Book KKM, Page 297.
27. Right of Way Easement executed by Nickeson Farms, Inc., to BDM Rural Water Systems, Inc., granting a perpetual easement with the right to erect, construct, maintain, etc. in connection with the operation of a rural water system, and constitutes a covenant running with the land, over, across and through the NW $\frac{1}{4}$ SW $\frac{1}{4}$ , and other land; dated November 1, 1999 and recorded December 22, 1999 at 10:50 A.M. in Book LLM on Pages 320.
28. Subject to City of Veblen Resolution vacating Ballard Street from the corner of Central Avenue to the corner of Prairie Avenue; Central Avenue between Block 7 and Block 8, Rosholt's Addition; Prairie Avenue between Block 8 and Block 13, Rosholt's Avenue; dated May 8, 2000 and recorded September 27, 2000 at 1:20 P.M. in Book LLM, Pages 71 0-71 3.
29. Terms and conditions of Manure Easement Agreement by and between Multi-Community Cooperative Dairy, a South Dakota Cooperative, Mortgage and owner of SE $\frac{1}{4}$ SE $\frac{1}{4}$ , S-396' of NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ , 17-128-53; to AgStar Financial Services, FLCA, Lender; dated September 14, 2005 and recorded September 14, 2005 at 2:30 P.M. in Book OOM, Pages 696-698.
30. Terms and conditions of Manure Easement Agreement by and between Linn Vig, Grantor, owner of SW $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ , 13-128-53; NE $\frac{1}{4}$ , 14-128-53; NW $\frac{1}{4}$ , 25-128-53; NW $\frac{1}{4}$ , 26-128-53; Marshall County, SD; and E $\frac{1}{2}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , 17-128-52; W $\frac{1}{2}$ SW $\frac{1}{4}$ , 18-128-52; NE $\frac{1}{4}$ SE $\frac{1}{4}$ , 19-128-52; S $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$ , 20-128-52; NW $\frac{1}{4}$ , 29-128-52; SW $\frac{1}{4}$ , 30-128-52; Roberts County, SD, to Multi -Community Cooperative Dairy, Grantee, owner of SE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$ , S396' of NE $\frac{1}{4}$ SE $\frac{1}{4}$ , 17-128-53; Marshall County, SD; dated September 12, 2005 and recorded September 22, 2005 at 10:05 A.M. in Book OOM, Pages 714-717.  
Assignment of above Easement executed by Multi-Community Cooperative Dairy, to AgStar Financial Service, FLCA; dated September 14, 2005 and recorded October 14, 2005 at 9:40 A.M. in Book OOM, Pages 744-745.

31. Terms and Conditions of Manure Easement Agreement by and between Willard Hill and Betty Hill, Grantor, owner of NE1/4, 1-128-53; SW1/4, NW1/4, NE1/4, 11-128-53; S1/2NW1/4, 12-128-53; NE1/4, 15-128-53; SE1/4, 35-129-53; Marshall County, SD; and NE1/4, 18-128-52; Roberts County, SD; to Multi-Community Cooperative Dairy, Grantee, owner of SE1/4SW1/4, SE1/4SE1/4, S396' of NE1/4SE1/4, 17-128-53; Marshall County, SD. Dated September 13, 2005 and recorded September 22, 2005 at 10:05 A.M. in Book QOM, Pages 718-721.

Assignment of above Easement executed by Multi-Community Cooperative Dairy, to AgStar Financial Services, FLCA. Dated September 14, 2005 and recorded October 14, 2005 at 9:40 A.M. in Book OOM, Pages 746-747.

32. Terms and conditions of Manure Easement Agreement by and between James L. Nickeson Farms, Inc., Grantor, owner of NW1/4SW1/4, 16-128-53; NE1/4SE1/4 excluding S-396', 17-128-53; N1/2SE1/4, N1/2SW1/4, 19-128-53; W1/2NW1/4, SW1/4, SE1/4, SW1/4NE1/4, 20-128-53; W1/2SE1/4, SW1/4, 21-128-53; Marshall County, SD; to Multi-Community Cooperative Dairy, Grantee, owner of SE1/4SW1/4, SE1/4SE1/4, S-396' of NE1/4SE1/4, 17-128-53; Marshall County, SD; dated September 14, 2005 and recorded September 22, 2005 at 10:05 A.M. in Book OOM, Pages 722-725.

Assignment of above Easement executed by Multi-Community Cooperative Dairy, to AgStar Financial Services, FLCA; dated September 14, 2005 and recorded October 14, 2005 at 9:40 A.M. in Book OOM, Pages 748-749.

33. Terms and conditions of Manure Easement Agreement by and between Jay Hill and Ann M. Hill, Grantor, owner of SW1/4, 35-129-53; SW1/4, 12-128-53; S1/2SW1/4, 2-128-53; Marshall County, SD; and NW1/4, 18-128-52, Roberts County, SD; dated September 13, 2005 and recorded September 22, 2005 at 10:05 A.M. in Book OOM, Pages 726-729.

Buyer agrees to accept the Real Property subject to the encumbrances listed above.

**EXHIBIT 4(d)**  
**UCC Filings Summary**

See attached summary of Uniform Commercial Code financing statements filed with South Dakota Secretary of State.

MULTI-COMMUNITY COOPERATIVE DIARY  
 EIN 91-1848399  
 UCC FINANCING STATEMENTS  
 FILED AT SECRETARY OF STATE  
 AS OF 4-7-08

	<u>SECURED PARTY</u>	<u>DEBIOR</u>	<u>DATE OF FILING &amp; FILING NO.</u>	<u>EXPIRES</u>	<u>DESCRIPTION OF SECURED PROPERTY</u>
1.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20020941000525 4-4-02 Continuation 12-12-06 Amendment correcting name 8-23-07	4/3/12	1 New CAT 924G9SW Wheel Loader SN 9SW00865 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.
2.	Wells Fargo Financial Leasing, Inc., Des Moines, IA Assignor: Telmark LLC, Syracuse, NY	Multi Community Cooperative Dairy	20030141001418 1-14-03 Continuation 10-5-07 Assignment 10-9-07	1/14/13	2 Verta Mix 1100 Mix Trailers, 2 Mohrland 26; Feed Delivery Boxes, 1 36" x 38" Belt Conveyor, 8 SK 1212 Feed Binds, 1 Speed King Underbin Conveyor, 1 Rapat CU86 Car Unloader and 1 Rancan 35' Bucket Elevator.
3.	Mid America Leasing Company-SF	Multicommunity Cooperative Dairy	200317101270043 6-19-03	6/19/08	Genset-Diesel, 60Hz, 500kW Duty Rating-Standby Power LISTING-UI 2200 Hsg-Weather w/Res Muffir Voltage-277/480, 3 Phase Wye Alternator-60Hz, 12 Lead, Limited Range, 125/105c Set Control-Powercommand, Basic Configuration Engine Governor-Cummins, Efc, Normally Closed Display Language - English Circuit Breaker Mig-Single Brkr, Left of Control Circuit Breaker-800a, 3p, 600/660v, Ss Rms, UI/tec Separator-Fuel/Water Engine Started-24 Vdc Motor Battery Charging Alternator-Normal Output Engine Cooling-Radiator, 40c Ambient Shutdown-Low Coolant Level Coolant Heater-208/240/480v.40f Minimum Temp Engine Air Cleaner-Normal Duty Engine 011 Heater-208/240 Vac, Single Phase Warranty-5 Year Comprehensive Literature-English

					<p>PCC Annunciator-Negative Signal-(12/24 Volt)                  Magnuize Enclosure - Installed w/ motorized Louvers, Insulated Door and Radiator Discharge Hoods.                  Fuel Tank-Dual all Sub Base-850 Gallons                  Batteries (DF, DQ) 004 3                  Start-up Services (0 -A \$ -0 3 Freight                  Lube oil and Antifreeze                  Batter Charger -10A-24VDC-60Hz-120VAC                  Labor and Material to connect new generator to existing automatic transfer switch.                  Crane Service for removal of old gen set and setting in place new set.                  This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401; covers proceeds and products.</p>
4.	Trinity Capital Corporation, San Francisco, CA	Multi-Community Cooperative Dairy	20031831102267 7-2-03	7/2/08	<p>All dry cleaning and laundry equipments leased or financed from Trinity Capital Corporation including, but not limited to those items and proceeds thereof, set forth in the agreement listed below and in any and all subsequent addendums and schedules to the agreement. Agreement #0801186</p>
5.	Gehl Company, West Bend, WI	Multi-Community Cooperative Dairy	20032101000946 7-29-03	7/29/08	<p>Gehl AL730 Agri-Loader SN 065122                  Gehl 3.0 Cu. Yd. Bucket SN 11295                  K&amp;L Sillage Mill SN CO-302</p>
6.	Mid America Leasing Company-SF	MultiCommunity Cooperative Dairy	20032481470057 9-5-03	9/5/08	<p>1 - Silencer-CP Tilt extended LH controls drop out floor - tilt to right                  1 - Standard - Hydraulic Lower Squeeze                  2 - Nech Bar                  1 - LH Rear Walk Thru                  1 - LH Side Exit                  1 - Pump - 5hp Single Phase                  1 - Scale - Weightromix-615 w/pads                  2 - Scale - Weightromix Load Bar Part No. 215940271                  1 - Service - 1 Box for Scale                  1 - Service - Additional Cord for Scales                  1 - Service - Additional Hydraulic Componentry                  1 - Service - Additional Hydraulic Hose                  1 - Service - Hydraulic Leg Restraint                  This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401; covers proceeds and products.</p>

7.	Mid America Leasing Company-SF	MultiCommunity Cooperative Dairy	20032481470099 9-5-03	9/5/08	<p>1 - Shimadzu SDU-350 XL Ultrasound System (SDU350XLV)  1 - 5.0 - 9.0 MHZ 60mm Linear Reproductive/Superficial Probe (V070050U)  1 - Marine Battery (demo) 1 - Plastic Cart (DEMO) 1 - Travel Case  1 - Instructional Training Tape (SHTAPE)  1 - Quick Sheet (SHQUICK)  All software upgrades at no charge  This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401; covers proceeds and products.</p>
8.	Mid America Leasing Company-SF	MultiCommunity Cooperative Dairy	20032891470176 10-16-03	10/16/08	<p>1 Right Lay Hydraulic Hoof Trimming Chute 220 3 Phase Power Unit  This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401; covers proceeds and products.</p>
9.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20033431101365 12-9-03	12/9/08	<p>1 Caterpillar 252 Skid Steer Loader SN FDG01502 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.</p>
10.	Mid America Leasing Company-SF	MultiCommunity Cooperative Dairy	20040760970028 3-16-04	3/16/09	<p>1 Used Hoof Trimming Table  This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401; covers proceeds and products.</p>
11.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20040820810032 3-22-04	3/22/09	<p>1 Caterpillar 252 Skid Steer Loader SN FDG01618 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.</p>
12.	Mid America Leasing Company-SF	MultiCommunity Cooperative Dairy	20041201070038 4-29-04	4/29/09	<p>1 1996 International 9200 Truck, SN2HTMFMAHT7TC055788  Digistar Scale System w 2 Indicators, Remote Cables &amp; e2 Feed Ready H&amp;S HDNR Feeder Boy SN 403384 Weigh bars, Wet Kit Plumbing  This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401; covers proceeds and products.</p>
13.	Wells Fargo Financial Leasing, Inc., Syracuse, NY	Multi-Community Cooperative Dairy	20041911470093 7-9-04	7/9/09	<p>804 Norbec Headlocks and 804 Norbco Stalls. This is a lease transaction and this filing is made for informational purposes only; covers proceeds and products.</p>
14.	Caterpillar Financial Services Corporation Nashville TN Assignor: LexisNexis Document Solutions Inc.	Multi-Community Cooperative Dairy	20042120970008 7-30-2004	7/30/09	<p>1 Caterpillar 252B Skid Steer S/N SCP00388 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof; covers proceeds and products.</p>

15.	Mid America Leasing Company-SF	Multi-Community Cooperative Dairy	20042261570118 8-13-04	8/13/09	2500 Honey Vac Trailer - Single Axle on 20:00 x 20 Aircraft Tires Complete Honey Vac Scraper System - complete with Dual 750 Vacuum Pumps 10" Rear Loading Boom complete with Hydra side shift assy. Constant velocity P.T.O. Shaft - Gearing for 1000 Gearing - 1 3/8" X 21 1 Discharge Spreading Nozzle 1 - 3" Loading Hose Assy. Special 20" hinged opening on the front side of the tank. This is a lease transaction. This transaction is for informational purposes only and pursuant to UCC Section 9-401.
16.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20051101470153 4-20-05	4/20/10	1 Caterpillar 252B Skid Steer S/N SCP01075 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof; covers proceeds and products.
17.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20052150810031 8-3-2005	8/3/10	1 Caterpillar TH360B Telescopic Handler S/N SLE03805 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.
18.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20052510810025 9-8-05	9/8/10	1 Caterpillar 252B Skid Steer Loader S/N SCP01759 with Grouser Tracks and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.
19.	Deere Credit, Inc. Johnston, IA	Multi-Community Cooperative Dairy	20052730810007 9-30-05	9/30/10	1 JD 7520 Tractor S/N 037919 1 JD 741 Loader S/N 008289 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
20.	Deere Credit, Inc. Johnston, IA	Multi-Community Cooperative Dairy	20052730810008 9-30-05	9/30/10	1 JD 7520 Tractor S/N 037283 1 JD 741 Loader S/N 008414 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.



21.	Agstar Financial Services, PCA	Multi-Community Cooperative Dairy	20052760810021 10-3-05	10/3/10	All now owned or hereafter acquired: crops growing or to be grown, cash and crop share rents, warehouse receipts, harvested and processed crops, livestock, milk and accounts from milk sales, feed, seed, fertilizer, agricultural chemicals and other supplies, and all products and proceeds of collateral, machinery and equipment, inventory, farm products, all contract rights, chattel paper, documents, accounts, and general intangibles, whether now owned or hereafter acquired by Debtor, including, but not limited to all entitlements, rights to payment and payments (in whatever form received, including, but not limited to, payments in cash or in kind) under any current or future state or federal governmental programs including, but not limited to, governmental agricultural diversion programs, governmental agricultural assistance programs and the United States Department of Agriculture Farm Service Agency (FSA) Feed Grain program; and all proceeds of the foregoing.
22.	Agstar Financial Services, PCA	Multi-Community Cooperative Dairy	20052760810022 10-3-05	10/3/10	Blanket Agricultural - must include crops, livestock and farm machinery NO COPY AVAILABLE
23.	Agstar Financial Services, FLCA	Multi-Community Cooperative Dairy	20052760810023 10-3-05	10/3/10	All cattle handling systems, manure handling systems, feed storage and handling systems, milking systems, milk storing and handling systems, cleaning systems, and water systems, together with replacements, additions and similar equipment hereafter acquired.  All grain handling facilities and equipment, scales, crop dryers, grain storage facilities, elevators, augers, conveyors, power units, fuel storage, electrical controls and testing equipment with replacements, additions and similar equipment hereafter acquired.
24.	Agstar Financial Services, FLCA	Multi-Community Cooperative Dairy	20052760810024 10-3-05	10/3/10	All cattle handling systems, manure handling systems, feed storage and handling systems, milking systems, milk storing and handling systems, cleaning systems, and water systems, together with replacements, additions and similar equipment hereafter acquired.  All grain handling facilities and equipment, scales, crop dryers, grain storage facilities, elevators, augers, conveyors, power units, fuel storage, electrical controls and testing equipment with replacements, additions and similar equipment hereafter acquired.
25.	Caterpillar Financial Services Corporation Nashville TN	Multi-Community Cooperative Dairy	20052970810050 10-24-05	10/24/10	1 Caterpillar 236B Skid Steer Loader S/N HIEN03363 and substitutions, replacements, additions and accessions thereto, now owned or hereafter acquired and proceeds thereof.



26.	Deere Credit, Inc. Johnston IA	Multi-Community Cooperative Dairy	20053050810015 11-1-05	11/1/10	JD 8320 Row-Crop Tractor S/N RW8320P037090 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
27.	Deere & Company Johnston IA	Multi-Community Cooperative Dairy	20053050810016 11-1-05	11/1/10	JD 567 Round Baler S/N 317212 JD 567 Round Baler S/N 317243
28.	Deere Credit, Inc. Johnston IA	Multi-Community Cooperative Dairy	20053411010042 12-7-05	12/7/10	JD 7220 Row-Crop Tractor S/N RW7220D045157 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
29.	Deere Credit, Inc. Johnston IA	Multi-Community Cooperative Dairy	20053411010044 12-7-05	12/7/10	JD 7220 Row-Crop Tractor S/N RW7220D045140 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
30.	Deere Credit, Inc. Johnston IA	Multi-Community Cooperative Dairy	20053411010045 12-7-05	12/7/10	JD 7220 Row-Crop Tractor S/N RW7220D045145 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
31.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20060831570178 3-24-06	3/24/11	1 New 3412 Caterpillar Engine S/N DJN00988 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof; covers proceeds and products
32.	Deere Credit, Inc. Johnston IA	Multi-Community Cooperative Dairy	20060931110051 4-3-06	4/3/11	JD 7520 Row-Crop Tractor S/N RW7520D047182 JD 741 Loader S/N W00741C009324 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
33.	Deere Credit, Inc. Johnston IA	Multi-Community Cooperative Dairy	20060950810002 4-5-06	4/5/11	JD 7920 Row-Crop Tractor S/N RW7920D021168 The above described property is owned by the secured party and/or its assignee and is leased to the debtor. This statement is filed to give notice of secured party's (and/or its assignee) title to said property.
34.	Deere & Company Johnston, IA	Multi-Community Cooperative Dairy	20061360810017 5-16-06	5/16/11	JD 755 Spreader S/N 904111
35.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20061630810069 6-12-06	6/12/11	1 Caterpillar 924G Wheel Loader S/N DDA02936 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof.

36.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20061630810070 6-12-06	6/12/11	1 Caterpillar 236B Skid Steer Loader S/N HEN04343 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof
37.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20061701010058 6-19-06	6/19/11	1 Caterpillar D4GLGP Track-type Tractor S/N TLX01011 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof
38.	Deere & Company Johnston, IA	Multi-Community Cooperative Dairy Incorp	20061940810027 7-13-06	7/13/11	JD HX15 Rotary / Flail Cutter S/N 009800
39.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20061940810047 7-13-06	7/13/11	1 Caterpillar 236B Skid Steer Loader S/N HEN04586 w Carriage and Forks and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof
40.	Mid America Leasing Company	Multi-Community Cooperative Dairy	20061941370056 7-13-06	7/13/11	Right Lay Hydraulic Hoof Trimming Chute, 220 Single - Phase Power Unit This is a lease transaction. This transaction is for informational purposes only pursuant to UCC Section 9-401; covers proceeds and products.
41.	Northland Capital Financial Services, LLC St. Cloud, MN	Multi-Community Cooperative Dairy	20062291070033 8-17-06	8/17/11	1 2003 Meyer Vertical Screw Manure Spreader Model 8500 S/N ST068500285 1 2007 Delta Flatbed Trailer S/N 4MWFS32297N019155 1 2007 Delta Flatbed Trailer S/N 4MWFS32277N019171 covers proceeds and products
42.	De Lage Landen Financial Services, Inc., Wayne, PA	Multi-Community Cooperative Dairy EIN 19-1848399	20062430810020 8-31-06	8/31/11	2 Simadzu SDU-350 XL ultrasounds and accessories fully described on Schedule A, including all components, additions, upgrades, attachments, accessions, substitutions, replacements and proceeds of the foregoing.
43.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20070221370085 1-22-07	1/22/12	1 Caterpillar 236B Skid Steer Loader S/N HEN05447 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof; covers proceeds and products.
44.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20070221370089 1-22-07	1/22/12	1 Caterpillar 236B Skid Steer Loader S/N HEN05446 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof; covers proceeds and products.
45.	KLC Financial, Inc. Minnetonka, MN and OFC Capital Corporation, Roswell, GA	Multi-Community Cooperative Dairy	20070510810025 2-20-07	2/20/12	All Equipment listed on Lease 060505 Schedule 1. Filing includes all equipment listed on Lease 060505 and all future and current revenues, accounts receivable, chattel paper, contracts, and other assets that result from the use of this equipment and that are gained by debtor as a result of said equipment and Lease Agreement 060505. Filing also includes any and all future attachments, upgrades or modifications done to said equipment.

46.	Caterpillar Financial Services Corporation Nashville, TN	Multi-Community Cooperative Dairy	20071140810052 4-24-07	4/24/12	1 Used Caterpillar 924G Wheel Loader S/N 9SW00865 and substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof; covers proceeds and products.
47.	Mid America Leasing Company	Multi-Community Cooperative Dairy	20071621170050 6-11-07	6/11/12	1 2008 Wilson 7x30 Trailer VIN 1WID4BREX8H535663 This is a lease transaction. This transaction is for informational purposes only pursuant to UCC section 9-401; covers proceeds and products.
48.	Deere & Company	Multi-Community Cooperative Dairy	20071860910040 7-5-07	7/5/12	JD 0 Bale Wrap S/N 788497 JD 0 Bale Wrap S/N 788498 JD 567 Round Baler S/N 317212 JD 567 Round Baler S/N 317243 together with (1) all attachments, accessories and components, repairs and improvements, (2) all accounts, general intangibles, contract rights and chattel paper relating thereto, and (3) all proceeds, thereto including, without limitation, insurance, sale, lease and rental proceeds, and proceeds of proceeds.
49.	North Central Rental & Leasing LLC, Fargo, ND	MCC Dairy	20072401370107 8-28-07	8/28/12	For the rental of the following: 1 Caterpillar TH460B S/N OSLF01737 M003800, and all substitutions, replacements, additions, & accessions thereto, now owned or hereafter acquired, and proceeds thereof; covers proceeds and products.
50.	Mid America Leasing Company	Multicommunity Cooperative Dairy	20072421170044 8-30-07	8/30/12	Kuhn Rake Model GA7301 S/N D1390 This is a lease transaction. This transaction is for informational purposes only pursuant to UCC section 9-401; covers proceeds and products.
51.	VFS Leasing Co. Greensboro, NC	Multi-Community Cooperative Dairy	20073040810012 10-31-07	10/31/12	2006 Volvo MC80B S/N ending in the last 4 numeric digits of 1075 and 2007 Volvo MC80B S/N ending in the last 4 numeric digits of 0017, with all the standard attachments; together with all parts, accessories, attachments, substitutions, repairs, improvements and replacements and any and all cash and non-cash proceeds thereof, including, w/o limitation, insurance proceeds. This is a precautionary filing for notice purposes only and is not intended to change the characterization of this transaction as a lease.

This document prepared by:  
**FROHLING LAW OFFICE**  
Attorneys at Law  
PO Box 919  
Britton, SD 57430  
Tel. 605-448-2273  
Fax 605-448-2275

## **BILL OF SALE**

IN CONSIDERATION of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged,

Multi-Community Cooperative Dairy, a South Dakota cooperative corporation, 44480 SD Hwy 27, Veblen, South Dakota 57270

("Seller"), hereby GRANTS, SELLS, TRANSFERS, and DELIVERS to

Veblen West Dairy, LLP, a South Dakota limited liability partnership, PO Box 157, Veblen, South Dakota 57270

("Buyer"), the following described personal property:

3,850 milking cows. Approximately 85% will be 3-way crosses (Jersey, Scandinavian Reds, and Holsteins) and remaining 15% are pure Holstein cows.

All accounts receivables and notes receivable existing as of the date of possession.

All manure easements associated with the real property shown on Exhibit 1(a).

All of Seller's finished goods, raw materials, work in process, supplies, and inventories of any kind and description.

All trademarks, copyrights, patents, patent licenses, applications for patents, job rights, and rights to inventions of Seller more particularly described as follows:

- (a) All ownership and rights to the names "Multi-Community Cooperative Dairy" and "MCC Dairy" and any logos or marks associated therewith or related thereto.

All of Seller's other property and assets of whatever nature and wherever situated, including, but not limited to, books and records, engineering or architect's reports or plans, and all other assets, tangible or intangible, used in or for the dairy operations.

("the Property").

### ***Known and Acceptable Liens***

The Property is subject to the following known liens or encumbrances, and Buyer takes the Property subject to such liens or encumbrances:

Lien filings of lenders for which indebtedness is being assumed by Buyer pursuant to the Asset Purchase Agreement dated April 1, 2008.

***Warranties of Title***

Seller, for Seller and Seller's heirs, covenants with Buyer, and Buyer's heirs and assigns, that Seller is the lawful owner of the Property conveyed herein; that the Property is free and clear of all mortgages, liens, or other encumbrances, except as noted above, and, to the extent noted above, Buyer takes subject to such mortgage, lien, or encumbrance; that Seller has the right to sell the Property; that Seller will execute any instrument necessary for the further assurance of title to the Property that may be reasonably required, at the expense of Buyer; and that Seller will warrant and defend title to the Property against the claims of all persons claiming title or interest to the Property.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale on the 5<sup>th</sup> day of September, 2008.

MULTI-COMMUNITY COOPERATIVE  
DAIRY, a South Dakota cooperative  
corporation

In Presence of:

By: Michael C. Wyum  
Michael Wyum, Its President

Dana J. Frothingham  
Witness

**EXHIBIT D TO DISCLOSURE STATEMENT**

**FACILITIES LEASE TERM SHEET**

**See Attached**

October 4, 2010

Veblen West Dairy LLP  
Veblen, SD 57270

RE: LETTER OF INTENT – FACILITIES LEASE FOR  
DAIRY OPERATIONS  
Veblen West Dairy LLP – Veblen, SD

Dear Mr. \_\_\_\_\_:

The purpose of this Letter of Intent is to provide the basis for the preparation of a facilities lease for all personal property and real estate owned and operated by Veblen West Dairy LLP in its dairy operations (“Landlord”) which include Landlord’s real property located in Marshall County, South Dakota; Landlord’s tangible personal property (excluding dairy cows); leased personal property; and intangible personal property. This proposal should not be considered a binding contract or commitment on either party, but merely an outline of the terms to be incorporated into a mutually acceptable lease document, the form of which shall be provided by Vista Family Dairies, L.L.C. (“Tenant”) following the mutual execution of this Letter of Intent.

The basic terms and conditions under which the Landlord shall lease the facilities of the Landlord are as follows:

**PREMISES:** All dairy operation facilities of the Landlord which include all of the Landlord’s real property located in Marshall County, South Dakota; the Landlord’s tangible personal (excluding dairy cows); leased personal property and intangible personal property.

**LANDLORD:** Veblen West Dairy LLP  
Veblen, South Dakota

**TENANT:** Vista Family Dairies, L.L.C.  
Veblen, South Dakota

**USE:** The Premises may be used for a dairy operation.

**LEASE TERM**

**AND RENEWALS:** The term of the lease shall be for fifteen (15) years from the date of commencement.

**BASE RENT:** Base Rent shall be one hundred forty thousand dollars (\$140,000) per month.



**SECURITY  
DEPOSIT:**

Upon execution of a Lease, Tenant shall pay a security deposit equal to the total of three monthly base rental payments. Any unused portion of the security deposit may be used to pay the final three (3) lease payments due under the lease.

**DELIVERY DATE:** Landlord shall deliver the Premises to Tenant on or about thirty (30) days following the confirmation of the Landlord's Plan of Reorganization in the United States Bankruptcy Court for the District of South Dakota, Bankruptcy, 10-10071, Chapter 11.

**COMMENCEMENT  
DATE:**

The Term of the Lease, together with Base Rent, shall commence on the earlier of thirty (30) days following the confirmation of the Landlord's Plan of Reorganization in the United States Bankruptcy Court for the District of South Dakota, Bankruptcy, 10-10071, Chapter 11 or (ii) the date Tenant opens for business within the Premises.

**MAINTENANCE:** Tenant shall be responsible for all repairs and replacements of structures on the Premises. Tenant will maintain the Premises including without limitation the structures located in the Premises, and will be responsible for all building repairs, maintenance and replacements and the roof.

**C.A.M. & R.E.  
TAXES AND  
UTILITIES:**

In addition to Base Rent, Tenant shall be responsible for operating expenses including maintenance, insurance, real estate taxes and special assessments applicable to the Premises, all of which shall be referred to as "Additional Rent" in the Lease. Tenant's obligation to pay operating expenses including real estate taxes and special assessments shall commence with the rent commencement date under the Lease.

**ESTOPPEL:** Tenant shall, within twenty-one (21) days after request by Landlord, execute, under acknowledgment, and deliver to Landlord, in form reasonably acceptable to Tenant, a statement in writing and in recordable form certifying (to the extent true) that the lease is unmodified and in full force and effect, that neither Tenant nor Landlord is in default, the dates to which rental or other sums have been paid in advance and such other information as



Landlord or any lender or purchaser may require (or if any of the above is not true, the reason why it is not true). Tenant agrees that the statement may be relied upon by Landlord and any prospective purchaser, mortgagee, assignee, or beneficiary.

**EASEMENTS/TITLE**

**DOCUMENTS:** Landlord shall deliver to Tenant all documents regarding existing easements, and all other documents affecting the title to the Premises prior to execution of the Lease. Landlord shall grant to Tenant all necessary access easements for Tenant's use and enjoyment of the Premises, if any.

**FORMAL**

**DOCUMENTATION:**

This letter is a statement of a basis for an agreement between the parties, but is, however, subject to negotiation and execution of formal documentation approved by each party's respective counsel. Landlord and Tenant intend to promptly commence drafting and negotiation of such documentation. Each party will endeavor to finalize and enter into an acceptable agreement as soon as reasonably possible. However, if Landlord and Tenant are unable to reach a full and final agreement on the Lease for the Premises, neither party will have any claim against the other and all costs incurred by either party will be the sole responsibility of the incurring party.

If the forgoing meets with your approval, please sign both copies of this letter and return one fully executed copy to me. Upon receipt of the executed letter, we will instruct our attorney to begin preparation of the necessary documents.

**As discussed above, Landlord's obligation to lease the Premises to Tenant and Tenant's obligation to lease the Premises from Landlord are expressly conditioned upon the Landlord and Tenant entering into a mutually satisfactory written lease agreement.**

Provided the above terms are acceptable, please sign and return one fully executed copy of this Letter of Intent to my attention no later than October \_\_, 2010.

Sincerely,

VISTA FAMILY DAIRIES, L.L.C.

By \_\_\_\_\_

Its \_\_\_\_\_

October \_\_, 2010

The undersigned hereby agree to the foregoing:

VEBLEN WEST DAIRY LLP  
By \_\_\_\_\_  
Its \_\_\_\_\_  
October \_\_\_\_, 2010

VISTA FAMILY DAIRIES, L.L.C.  
By \_\_\_\_\_  
Its \_\_\_\_\_  
October \_\_\_\_, 2010

DRAFT

**EXHIBIT E TO DISCLOSURE STATEMENT**

**FINANCIAL PROJECTIONS PREPARED BY THE EQUITY OWNERS**

**FOR THE DEBTOR AND VISTA**

**See Attached**

**Veblen West Dairy  
Profit & Loss  
15 Year Projected  
Cash Flow**

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<b>Ordinary Income/Expense</b>												
<b>Income</b>												
Rental Income	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00	140,000.00
<b>Total Income</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>
<b>Gross Profit</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>	<b>140,000.00</b>
<b>Expense</b>												
Administrative Expenses	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
REED Payment	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71	8,508.71
Unsecured Creditors	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
AgStar Payment	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44	116,078.44
<b>Total Expense</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>	<b>139,587.15</b>
<b>Net Ordinary Income</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>	<b>412.85</b>

**Veblen West Dairy**  
**Profit & Loss**  
 15 Year Projected  
 Cash Flow

	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
<b>Ordinary Income/Expense</b>												
<b>Income</b>												
<b>Rental Income</b>	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00
<b>Total Income</b>	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00	1,680,000.00
<b>Gross Profit</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>
<b>Expense</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Administrative Expenses</b>	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
<b>REED Payment</b>	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52	102,104.52
<b>Unsecured Creditors</b>	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00	120,000.00
<b>AgStar Payment</b>	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28	1,392,941.28
<b>Total Expense</b>	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80	1,675,045.80
<b>Net Ordinary Income</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>	<b>4,954.20</b>

**Veblen West Dairy**  
**Profit & Loss**  
 15 Year Projected  
 Cash Flow

	<u>Year 14</u>	<u>Year 15</u>
Ordinary Income/Expense		
<b>Income</b>		
Rental Income	1,680,000.00	1,680,000.00
<b>Total Income</b>	<u>1,680,000.00</u>	<u>1,680,000.00</u>
<b>Gross Profit</b>	<b>1,680,000.00</b>	<b>1,680,000.00</b>
<b>Expense</b>	0.00	0.00
Administrative Expenses	60,000.00	60,000.00
REED Payment	102,104.52	102,104.52
Unsecured Creditors	120,000.00	120,000.00
AgStar Payment	1,392,941.28	1,392,941.28
<b>Total Expense</b>	<u>1,675,045.80</u>	<u>1,675,045.80</u>
<b>Net Ordinary Income</b>	<b>4,954.20</b>	<b>4,954.20</b>

<b>Vista</b>	
Total Average No. Milked	
Average No. Milked- Fresh (Transition)	
Average No. Milked- Lac	
Average Lbs/cow/day- Fresh	
Average Lbs/cow/day - Lac	
Total Lbs Sold	
Blend Price/cwt	
Class III Price/cwt	
Milk Premium	
Culls - Lactating (>30 DIM) Cows	
Cull Rate - Lactating (>30 DIM) Cows	
Death loss - Lactating (>30 DIM) Cows	
Death Loss Rate - Lactating (>30 DIM) Cows	
Dry Cow Turnover	
Dry Cow Turnover %	
Feed Conversion - Fresh Herd	
Feed Conversion - Lactating Herd	
Feed Cost/lb DM	
Feed Shrink	
Steam Up Ration (per fresh cow per day)	
Faroff Ration (per fresh cow per day)	
Admin Expense (per cow per month)	
Animal Health (per cow per day)	
Bedding (per cow per day)	
Breeding Expense (per cow per month)	
BST (per cow per day)	
Feed Expense (per cow per month)	
Milk Hauling/cwt	
Livestock Trucking (per cow per month)	
Fuel Exp. (per cow per month)	
Herd Replacement Expense (per cow per mo)	
Insurance (per cow per month)	
Labor Expense (per day)	
Marketing Exp. (Milk lbs./Month)	
Manure Expense (per cow per month)	
Leased Equipment Expense (per cow per mo)	
Repairs & Maintenance	
Supplies	
Utilities	

Fcst	Fcst	Fcst	Fcst
Oct-10	Nov-10	Dec-10	Total
<b>Vista</b>			
7,630	7,749	7,616	7,665
530	649	516	565
7,100	7,100	7,100	7,100
55	55	55	55
77	77	77	77
17,851,350	17,471,850	17,827,480	53,150,680
\$ 17.94	\$ 18.25	\$ 17.75	\$ 17.98
\$ 15.19	\$ 15.50	\$ 15.00	\$ 15.23
\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
164	164	164	\$ 164.00
2.30%	2.30%	2.30%	2.30%
23	23	23	23
0.32%	0.32%	0.32%	0.32%
589	511	507	536
8.30%	7.20%	7.14%	7.54%
1.7	1.7	1.7	1.70
1.53	1.53	1.53	1.53
\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800
6.00%	6.00%	6.00%	6.00%
\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
\$ 146.22	\$ 146.16	\$ 148.23	\$ 146.87
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
\$ 120.72	\$ 143.28	\$ 71.72	\$ 111.91
\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
\$ 11,151.61	\$ 11,300.00	\$ 11,151.61	\$ 11,201.08
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.250
\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

Fcst	Fcst	Fcst	Fcst
Jan-11	Feb-11	Mar-11	Apr-11
7,604	7,576	7,675	7,607
504	476	575	507
7,100	7,100	7,100	7,100
56	56	56	56
78	78	78	78
18,042,744	16,252,768	18,166,000	17,465,760
\$ 17.48	\$ 17.25	\$ 17.31	\$ 17.25
\$ 14.23	\$ 14.00	\$ 14.06	\$ 14.00
\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
164	164	164	164
2.30%	2.30%	2.30%	2.30%
23	23	23	23
0.32%	0.32%	0.32%	0.32%
611	541	562	562
8.61%	7.62%	7.92%	7.92%
1.7	1.7	1.7	1.7
1.54	1.54	1.54	1.54
\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850
6.00%	6.00%	6.00%	6.00%
\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
\$ 156.34	\$ 157.05	\$ 156.21	\$ 156.79
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
\$ 149.86	\$ 120.23	\$ 92.87	\$ 120.32
\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
\$ 11,151.61	\$ 12,346.43	\$ 11,151.61	\$ 11,523.33
\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

Milk Income Per Cow	\$ 419.73	\$ 411.49	\$ 415.49	\$ 415.57
Operating Cost Per Cow	\$ 371.91	\$ 391.63	\$ 339.50	\$ 367.68
Operating Profit/Loss Per Cow	\$47.82	\$19.85	\$75.99	\$47.89
Operating Cost Per CWT	\$15.90	\$17.37	\$14.50	\$15.92
Operating Break Even Class III	\$ 13.15	\$ 14.62	\$ 11.75	\$ 13.17

\$ 414.76	\$ 370.06	\$ 409.71	\$ 396.06
\$ 395.72	\$ 380.42	\$ 347.70	\$ 375.45
\$19.05	(\$10.35)	\$62.01	\$20.61
\$16.68	\$17.73	\$14.69	\$16.35
\$ 13.43	\$ 14.48	\$ 11.44	\$ 13.10

**COSTS DO NOT INCLUDE OTHER EXPENSE/INCOME (e.g., interest)**

**Feed Expense = Days\*(Feed Cost\*(1+Shrink)\*(Fresh Cows\*lbs/cow\*/Fresh Cow Feed Conversion+Lactating Cows\*lbs/cow/Lactating Cow Feed Conversion) + Calving Herd\*Steam Up %\*Ste**

**Herd Replacement Expense = (Dry Cows from other Dairies)\*Dry Cow Price + New Heifers from DDH\*Heifer Price + New Heifers not from DDH\*Heifer Price**

**Milk Cow Sales to Other PR herds = Fresh Cow Allocation to VW, FS, NH\*Fresh Cow Price**

**Cull Cow Sales = Lactating Cows\*Cull Rate\*Cull Value + Calving Herd\*Calving Herd Cull Rate\*Cull Value**

Vista - Income Statement - Summary	
<b>Total Income</b>	
<b>Total Expenses</b>	
<b>Operating Income</b>	
<b>% of Income</b>	
<b>Other Expense (Income)</b>	
<b>Net Income Before Taxes</b>	
<b>% of Income</b>	
<b>EBITDA</b>	
<b>% of Income</b>	

Vista - Income Statement - Summary				
Fcst	Fcst	Fcst	Fcst	
Oct-10	Nov-10	Dec-10	Total	
3,965,560	3,961,926	3,818,212	11,745,698	
3,600,709	3,808,090	3,239,469	10,648,268	
364,851	153,835	578,743	1,097,430	
9.20%	3.88%	15.16%	0	
185,243	182,981	180,700	548,924	
179,608	(29,146)	398,044	548,506	
4.53%		10.42%	0	
461,823	250,807	675,715	1,388,346	
11.65%	6.33%	17.70%	0	

Fcst	Fcst	Fcst	Fcst
Jan-11	Feb-11	Mar-11	Apr-11
4,005,073	3,524,375	3,928,738	3,788,436
3,860,242	3,602,800	3,452,774	3,631,674
144,831	(78,425)	475,964	156,762
0		12.11%	4.14%
178,398	176,078	173,737	171,376
(33,567)	(254,503)	302,227	(14,614)
		7.69%	
241,803	18,547	572,936	253,734
0	0.53%	14.58%	6.70%

Vista - Detailed P&L	
<b>Income</b>	
Livestock Sales	
Bull Calf Sales	
Heifer Calf Sales	
Cull Cow Sales	
Milk Cow Sales (to other PR herds)	
Manure Income	
Milk	
Miscellaneous Income	
Rental Income	
<b>Total Income</b>	

Vista - Detailed P&L				
Fcst	Fcst	Fcst	Fcst	
Oct-10	Nov-10	Dec-10	Total	
29,450	36,050	28,650	94,150	
24,100	29,500	23,450	77,050	
124,478	128,613	123,984	377,076	
585,000	579,150	477,750	1,641,900	
3,202,532	3,188,613	3,164,378	9,555,523	
-	-	-	-	
3,965,560	3,961,926	3,818,212	11,745,698	

Fcst	Fcst	Fcst	Fcst
Jan-11	Feb-11	Mar-11	Apr-11
27,850	26,250	31,750	28,050
22,800	21,500	26,000	22,950
120,001	119,222	121,953	120,093
680,550	553,800	604,500	604,500
3,153,872	2,803,602	3,144,535	3,012,844
-	-	-	-
4,005,073	3,524,375	3,928,738	3,788,436



<b>Expenses</b>								
Administration Expense	75,537	76,715	75,398	227,651	75,280	75,002	75,983	75,309
Animal Health Expenses	95,415	93,778	95,240	284,434	95,090	85,572	95,978	92,059
Bedding Expense	21,058	20,696	21,019	62,773	20,986	18,885	21,182	20,317
Breeding Expenses	64,092	65,092	63,974	193,158	63,874	63,638	64,470	63,899
BST - Production Enhancer	70,959	69,741	70,829	211,529	70,717	63,638	71,378	68,463
VW leased Equipment	19,000	19,000	19,000	57,000	19,000	19,000	19,000	19,000
Depreciation - Equipment	17,293	17,293	17,293	51,879	17,293	17,293	17,293	17,293
Depreciation - Property & Improvements	79,679	79,679	79,679	239,037	79,679	79,679	79,679	79,679
Feed Expense	1,115,642	1,132,632	1,128,945	3,377,219	1,188,793	1,189,840	1,198,948	1,192,692
Milk Hauling	44,628	43,680	44,569	132,877	45,107	40,632	45,415	43,664
Livestock Trucking	30,359	30,832	30,303	91,494	30,255	30,144	30,538	30,267
Fuel	65,968	66,997	65,847	198,813	65,744	65,502	66,358	65,770
Herd Replacement Expense	921,124	1,110,315	546,225	2,577,664	1,139,531	910,875	712,781	915,281
Insurance Expense	33,405	33,926	33,344	100,676	33,291	33,169	33,602	33,305
VW Facility Lease	140,000	140,000	140,000	420,000	140,000	140,000	140,000	140,000
Labor Expense	345,700	339,000	345,700	1,030,400	345,700	345,700	345,700	345,700
Marketing Expenses	44,628	43,680	44,569	132,877	45,107	40,632	45,415	43,664
Nutrient Management Expenses (manure)	102,739	106,713	104,622	314,074	72,370	72,313	73,743	72,765
Rent Expense	56,610	57,443	56,512	170,565	56,428	56,232	56,925	56,449
Repairs & Maintenance	70,594	71,695	70,465	212,755	70,354	70,095	71,011	70,382
Supplies	69,462	70,545	69,335	209,342	69,225	68,970	69,872	69,253
Utilities	116,815	118,637	116,601	352,053	116,417	115,989	117,504	116,463
Uncategorized Expenses								
<b>Total Expenses</b>	<b>3,600,709</b>	<b>3,808,090</b>	<b>3,239,469</b>	<b>10,648,268</b>	<b>3,860,242</b>	<b>3,602,800</b>	<b>3,452,774</b>	<b>3,631,674</b>
<b>Operating Income</b>	<b>364,851</b>	<b>153,835</b>	<b>578,743</b>	<b>1,097,430</b>	<b>144,831</b>	<b>(78,425)</b>	<b>475,964</b>	<b>156,762</b>
Other Income/Expense				-				
Other Income				-				
Dividends	-	-	-	-	-	-	-	-
Total Other Income	-	-	-	-	-	-	-	-
Other Expenses				-				
Taxes	6,300	6,300	6,300	18,900	6,300	6,300	6,300	6,300
Interest Expense				-				
Corn silage feed loan	23,375	21,523	19,655	64,553	17,769	15,866	13,945	12,007
Haylage Feed Loan	-	-	-	-	-	-	-	-
New Cow Loan	31,500	31,147	30,791	93,438	30,434	30,074	29,713	29,349
New Real Estate Loan	120,000	120,000	120,000	360,000	120,000	120,000	120,000	120,000
CAT-236B	-	-	-	-	-	-	-	-
CAT-00855,00566	1,331	1,311	1,291	3,932	1,271	1,251	1,231	1,211
CAT-236B 05632	-	-	-	-	-	-	-	-
CAT-C15-976,C18-003	1,454	1,433	1,413	4,299	1,392	1,371	1,350	1,329
CAT 236B2 0HEN08679	-	-	-	-	-	-	-	-
CAT 236B2 0HEN08680	-	-	-	-	-	-	-	-
CAT 236B2 0HEN09214	-	-	-	-	-	-	-	-
CAT C15 #C5E01444, 1445	1,284	1,267	1,250	3,801	1,233	1,215	1,198	1,180
Total Other Expense	185,243	182,981	180,700	548,924	178,398	176,078	173,737	171,376
<b>Total Other Income/Expense</b>	<b>185,243</b>	<b>182,981</b>	<b>180,700</b>	<b>548,924</b>	<b>178,398</b>	<b>176,078</b>	<b>173,737</b>	<b>171,376</b>

<b>Net Income Before Taxes</b>
<b>EBITDA</b>
<b>Vista - Balance Sheet</b>
<b>ASSETS:</b>
<b>Current assets</b>
Cash
Accounts receivable, trade
Feed Inventory
Prepaid Expenses
<b>Total Current Assets</b>
Equipment Purchases
<b>Fixed Assets</b>
Equipment
Land, Property, & Improvements
<b>Total Fixed Assets</b>
<b>Other Assets</b>
Capital Retains
Livestock Inventory
Non Marketable Securities
<b>Total Assets</b>
<b>LIABILITIES:</b>
<b>Current Liabilities</b>
Accounts payable
Accrued Manure Expense
Other Current Liabilities
Payroll Liabilities
<b>Total Other Current Liabilities</b>
Current Debt
Corn Silage Feed Loan
Haylage feed loan
<b>Total Current Debt</b>
<b>Total Current Liabilities</b>

179,608	(29,146)	398,044	548,506
-	-	-	-
461,823	250,807	675,715	1,388,346
-	-	-	-
-	-	-	-
<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	
<b>Oct-10</b>	<b>Nov-10</b>	<b>Dec-10</b>	
			121,494
			-
			-
4,247,270	4,543,043	4,614,120	13,404,434
595,819	592,184	448,471	1,636,473
2,349,184	2,145,311	1,942,101	6,436,596
420,000	420,000	420,000	
7,612,273	7,700,538	7,424,691	
849,646	832,353	815,060	
17,220,321	17,140,642	17,060,963	
18,069,967	17,972,995	17,876,023	
12,000	24,000	36,000	
7,200,000	7,200,000	7,200,000	
32,894,240	32,897,533	32,536,714	
(0)	(0)	(0)	
1,077,608	1,288,249	711,963	
102,739	209,452	314,074	
-	-	-	
-	-	-	
2,348,002	2,144,152	1,938,433	
-	-	-	
2,348,002	2,144,152	1,938,433	
3,528,349	3,641,853	2,964,470	

(33,567)	(254,503)	302,227	(14,614)
241,803	18,547	572,936	253,734
<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
<b>Jan-11</b>	<b>Feb-11</b>	<b>Mar-11</b>	<b>Apr-11</b>
5,094,109	5,140,455	4,965,338	5,344,138
635,331	154,633	558,996	418,695
1,728,118	1,513,947	1,298,136	1,083,451
420,000	420,000	420,000	420,000
7,877,558	7,229,035	7,242,470	7,266,284
		58,000	
797,767	780,474	821,181	803,888
16,981,284	16,901,605	16,821,926	16,742,247
17,779,051	17,682,079	17,643,107	17,546,135
48,000	60,000	72,000	84,000
7,200,000	7,200,000	7,200,000	7,200,000
32,904,609	32,171,114	32,157,577	32,096,419
(0.01)	(0)	(0)	(0)
1,330,554	1,071,068	917,722	1,094,934
386,443	458,756	532,500	605,265
-	-	-	-
-	-	-	-
1,730,829	1,521,322	1,309,894	1,096,528
-	-	-	-
1,730,829	1,521,322	1,309,894	1,096,528
3,447,826	3,051,147	2,760,115	2,796,727

<b>Long Term Liabilities</b>							
New Cow Loan	5,339,435	5,278,517	5,217,244	5,155,613	5,093,623	5,031,271	4,968,556
New Real Estate Bridge Loan	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
CAT 236B2	27,792	26,583	25,375	24,167	22,958	21,750	20,542
CAT 236B2	27,792	26,583	25,375	24,167	22,958	21,750	20,542
CAT-00855,00566	220,422	217,091	213,740	210,370	206,979	203,568	200,137
CAT-236B 05632	27,792	26,583	25,375	24,167	22,958	21,750	20,542
CAT-C15-976,C18-003	242,911	239,408	235,885	232,341	228,776	225,190	221,583
CAT 236B2 0HEN08679	8,233	6,778	5,322	3,867	2,411	29,956	28,501
CAT 236B2 0HEN08680	8,233	6,778	5,322	3,867	2,411	29,956	28,501
CAT 236B2 0HEN09214	10,870	9,445	8,019	6,594	5,169	3,743	2,318
CAT C15 #C5E01444, 1445	217,221	214,284	211,330	208,359	205,371	202,365	199,342
CAT 236B2	27,792	26,583	25,375	24,167	22,958	21,750	20,542
CAT 236B2	27,792	26,583	25,375	24,167	22,958	21,750	20,542
<b>Total Long Term Liabilities</b>	<b>22,186,284</b>	<b>22,105,218</b>	<b>22,023,739</b>	<b>21,941,844</b>	<b>21,859,532</b>	<b>21,834,800</b>	<b>21,751,645</b>
<b>Total Liabilities</b>	<b>25,714,632</b>	<b>25,747,071</b>	<b>24,988,209</b>	<b>25,389,670</b>	<b>24,910,679</b>	<b>24,594,915</b>	<b>24,548,371</b>
<b>SHAREHOLDER EQUITY</b>							
Partner Equity	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Retained Earnings	-	-	-	548,506	548,506	548,506	548,506
YTD net income (calendar)	179,608	150,462	548,506	(33,567)	(288,070)	14,156	(458)
<b>Total Shareholder Equity</b>	<b>7,179,608</b>	<b>7,150,462</b>	<b>7,548,506</b>	<b>7,514,938</b>	<b>7,260,435</b>	<b>7,562,662</b>	<b>7,548,048</b>
<b>Total Liabilities and S/H Equity</b>	<b>32,894,240</b>	<b>32,897,533</b>	<b>32,536,714</b>	<b>32,904,609</b>	<b>32,171,114</b>	<b>32,157,577</b>	<b>32,096,419</b>
Current Ratio	2.2	2.1	2.5	2.3	2.4	2.6	2.6
Debt to Equity	3.58	3.60	3.31	3.38	3.43	3.25	3.25

<b>Vista - Cash Flow Statement</b>	<b>Vista - Cash Flow Statement</b>			
	Fcst	Fcst	Fcst	<b>Total</b>
	Oct-10	Nov-10	Dec-10	
<b>CASH FROM OPERATIONS</b>				
Net Income	179,608	(29,146)	398,044	548,506
Depreciation/ amortization	96,972	96,972	96,972	290,916

Fcst	Fcst	Fcst	Fcst
Jan-11	Feb-11	Mar-11	Apr-11
(33,567)	(254,503)	302,227	(14,614)
96,972	96,972	96,972	96,972

Changes in working capital									
Accounts receivable, trade	71,146	3,635	143,714	218,494	(186,861)	480,698	(404,363)	140,302	
Notes Receivable	0	0	0	14,199	0	0	0	0	
Feed Inventory	200,816	203,874	203,210	607,899	213,983	214,171	215,811	214,685	
Other Current Assets	0	0	0	0	0	0	0	0	
Capital Retains	(12,000)	(12,000)	(12,000)	(36,000)	(12,000)	(12,000)	(12,000)	(12,000)	
Livestock Inventory	0	0	0	0	0	0	0	0	
Accounts payable	410,643	210,641	(576,286)	44,998	618,591	(259,485)	(153,347)	177,212	
Accrued Manure Expense	102,739	106,713	104,622	314,074	72,370	72,313	73,743	72,765	
Other Current Liabilities	0	0	0	0	0	0	0	0	
Notes Payable	0	0	0	0	0	0	0	0	
<b>Net cash provided by Operations</b>	<b>1,049,924</b>	<b>580,689</b>	<b>358,274</b>	<b>1,988,887</b>	<b>769,487</b>	<b>338,166</b>	<b>119,043</b>	<b>675,321</b>	
<b>CAPITAL EXPENDITURES</b>									
Equipment	0	0	0	0	0	0	(58,000)	0	
Prepaid Rent	(420,000)	0	0	(420,000)	0	0	0	0	
Land, Property, & Improvements	0	0	0	0	0	0	0	0	
<b>Net cash used in Capital Exp.</b>	<b>(420,000)</b>	<b>0</b>	<b>0</b>	<b>(420,000)</b>	<b>0</b>	<b>0</b>	<b>(58,000)</b>	<b>0</b>	
<b>FINANCING/EQUITY ACTIVITIES</b>									
New Feed Loan	(201,998)	(203,850)	(205,719)	(611,567)	(207,604)	(209,507)	(211,428)	(213,366)	
Cow Loan	(60,565)	(60,918)	(61,273)	(182,756)	(61,631)	(61,990)	(62,352)	(62,716)	
New Real Estate Bridge Loan	0	0	0	0	0	0	0	0	
CAT 236B2	(1,208)	(1,208)	(1,208)	(3,625)	(1,208)	(1,208)	(1,208)	(1,208)	
CAT 236B2	(1,208)	(1,208)	(1,208)	(3,625)	(1,208)	(1,208)	(1,208)	(1,208)	
CAT-00855,00566	(3,311)	(3,331)	(3,351)	(9,993)	(3,371)	(3,391)	(3,411)	(3,431)	
CAT-236B 05632	(1,208)	(1,208)	(1,208)	(3,625)	(1,208)	(1,208)	(1,208)	(1,208)	
CAT-C15-976,C18-003	(3,482)	(3,503)	(3,523)	(10,508)	(3,544)	(3,565)	(3,586)	(3,607)	
CAT 236B2 0HEN08679	(1,455)	(1,455)	(1,455)	(4,366)	(1,455)	(1,455)	27,545	(1,455)	
CAT 236B2 0HEN08680	(1,455)	(1,455)	(1,455)	(4,366)	(1,455)	(1,455)	27,545	(1,455)	
CAT 236B2 0HEN09214	(1,425)	(1,425)	(1,425)	(4,276)	(1,425)	(1,425)	(1,425)	(1,425)	
CAT C15 #C5E01444, 1445	(2,920)	(2,937)	(2,954)	(8,810)	(2,971)	(2,988)	(3,006)	(3,023)	
CAT 236B2	(1,208)	(1,208)	(1,208)	(3,625)	(1,208)	(1,208)	(1,208)	(1,208)	
CAT 236B2	(1,208)	(1,208)	(1,208)	(3,625)	(1,208)	(1,208)	(1,208)	(1,208)	
				0					
<b>Net cash from Financing</b>	<b>1,617,346</b>	<b>(284,916)</b>	<b>(287,197)</b>	<b>1,045,233</b>	<b>(289,499)</b>	<b>(291,819)</b>	<b>(236,160)</b>	<b>(296,521)</b>	
<b>NET CASH FLOW</b>	<b>2,247,270</b>	<b>295,773</b>	<b>71,077</b>	<b>2,614,120</b>	<b>479,988</b>	<b>46,347</b>	<b>(175,118)</b>	<b>378,800</b>	
<b>BEGINNING CASH</b>		<b>4,247,270</b>	<b>4,543,043</b>		<b>4,614,120</b>	<b>5,094,109</b>	<b>5,140,455</b>	<b>4,965,338</b>	
Cash expenses- nonpayroll	3,364,715	3,575,357	2,999,070		3,617,661	3,358,175	3,204,829	3,382,041	
Depreciation/ Amortization	96,972	96,972	96,972	290,916	96,972	96,972	96,972	96,972	
Depreciation	96,972	96,972	96,972	290,916	96,972	96,972	96,972	96,972	
Amortization	-	-	-	-	-	-	-	-	

	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
<b>Vista</b>	<b>Vista</b>								
Total Average No. Milked	7,631	7,631	7,631	7,631	7,631	7,631	7,631	7,631	7,626
Average No. Milked- Fresh (Transition)	531	531	531	531	531	531	531	531	526
Average No. Milked- Lac	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
Average Lbs/cow/day- Fresh	56	56	56	56	56	56	56	56	56.00
Average Lbs/cow/day - Lac	78	78	78	78	78	78	78	78	78.00
Total Lbs Sold	18,089,616	17,506,080	18,089,616	18,089,616	17,506,080	18,089,616	17,506,080	18,089,616	212,893,592
Blend Price/cwt	\$ 17.35	\$ 17.35	\$ 17.65	\$ 17.85	\$ 18.03	\$ 17.99	\$ 17.99	\$ 18.03	\$ 17.63
Class III Price/cwt	\$ 14.10	\$ 14.10	\$ 14.40	\$ 14.60	\$ 14.78	\$ 14.74	\$ 14.74	\$ 14.78	\$ 14.38
Milk Premium	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
Culls - Lactating (>30 DIM) Cows	164	164	164	164	164	164	164	164	164
Cull Rate - Lactating (>30 DIM) Cows	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Death loss - Lactating (>30 DIM) Cows	23	23	23	23	23	23	23	23	23
Death Loss Rate - Lactating (>30 DIM) Cows	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%
Dry Cow Turnover	562	562	562	562	562	562	562	562	564
Dry Cow Turnover %	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.95%
Feed Conversion - Fresh Herd	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.70
Feed Conversion - Lactating Herd	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
Feed Cost/lb DM	\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850	\$ 0.0850
Feed Shrink	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Steam Up Ration (per fresh cow per day)	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
Faroff Ration (per fresh cow per day)	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Admin Expense (per cow per month)	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
Animal Health (per cow per day)	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Bedding (per cow per day)	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Breeding Expense (per cow per month)	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
BST (per cow per day)	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Feed Expense (per cow per month)	\$ 156.58	\$ 156.58	\$ 156.58	\$ 156.58	\$ 156.58	\$ 156.75	\$ 156.98	\$ 156.98	\$ 156.67
Milk Hauling/cwt	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Livestock Trucking (per cow per month)	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
Fuel Exp. (per cow per month)	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
Herd Replacement Expense (per cow per mo)	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 115.38	\$ 114.47
Insurance (per cow per month)	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
Labor Expense (per day)	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,375.09
Marketing Exp. (Milk lbs./Month)	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.250
Manure Expense (per cow per month)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Leased Equipment Expense (per cow per mo)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Repairs & Maintenance	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
Supplies	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
Utilities	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

<b>Milk Income Per Cow</b>	\$ 411.29	\$ 398.02	\$ 418.40	\$ 423.14	\$ 413.62	\$ 426.46	\$ 412.70	\$ 427.41	\$ 410.14
<b>Operating Cost Per Cow</b>	\$ 366.50	\$ 365.32	\$ 366.50	\$ 366.50	\$ 365.32	\$ 366.69	\$ 365.76	\$ 371.61	\$ 369.46
<b>Operating Profit/Loss Per Cow</b>	\$44.79	\$32.70	\$51.90	\$56.64	\$48.30	\$59.77	\$46.94	\$55.79	\$40.68
<b>Operating Cost Per CWT</b>	\$15.46	\$15.92	\$15.46	\$15.46	\$15.92	\$15.47	\$15.94	\$15.68	\$15.90
<b>Operating Break Even Class III</b>	\$ 12.21	\$ 12.67	\$ 12.21	\$ 12.21	\$ 12.67	\$ 12.22	\$ 12.69	\$ 12.43	\$ 12.65

**COSTS DO NOT INCLUDE OTHER EXPENSE/**

**Feed Expense = Days\*(Feed Cost\*(1+Shrink)\*Am Up Rate+Calving Herd\*Faroff %\*Faroff Rate)**

**Herd Replacement Expense = (Dry Cows from**

**Milk Cow Sales to Other PR herds = Fresh Cow**

**Cull Cow Sales = Lactating Cows\*Cull Rate\*Cul**

Vista - Income Statement - Summary	Vista - Income Statement - Summary								
	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
<b>Total Income</b>	3,917,089	3,815,845	3,971,358	4,007,537	3,934,887	4,032,862	3,927,884	4,040,098	46,894,182
<b>Total Expenses</b>	3,575,285	3,566,321	3,575,285	3,575,285	3,566,321	3,576,722	3,569,651	3,614,334	43,166,695
<b>Operating Income</b>	341,804	249,525	396,072	432,252	368,566	456,141	358,233	425,764	3,727,487
<b>% of Income</b>	8.73%	6.54%	9.97%	10.79%	9.37%	11.31%	9.12%	10.54%	0
<b>Other Expense (Income)</b>	168,995	166,594	164,172	161,729	159,265	180,155	177,863	175,552	2,053,914
<b>Net Income Before Taxes</b>	172,808	82,931	231,901	270,523	209,301	275,985	180,370	250,212	1,673,573
<b>% of Income</b>	4.41%	2.17%	5.84%	6.75%	5.32%	6.84%	4.59%	6.19%	0
<b>EBITDA</b>	438,776	346,497	493,044	529,224	465,538	553,113	455,205	522,736	4,891,151
<b>% of Income</b>	11.20%	9.08%	12.42%	13.21%	11.83%	13.72%	11.59%	12.94%	0

Vista - Detailed P&L	Vista - Detailed P&L								
	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total
<b>Income</b>									
Livestock Sales									
Bull Calf Sales	29,300	29,300	29,300	29,300	29,300	29,300	29,300	29,300	348,300
Heifer Calf Sales	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	285,250
Cull Cow Sales	120,740	120,740	120,740	120,740	120,740	120,740	120,740	120,740	1,447,193
Milk Cow Sales (to other PR herds)	604,500	604,500	604,500	604,500	604,500	604,500	604,500	604,500	7,279,350
Manure Income									-
Milk	3,138,548	3,037,305	3,192,817	3,228,996	3,156,346	3,254,322	3,149,344	3,261,558	37,534,089
Miscellaneous Income	-	-	-	-	-	-	-	-	-
Rental Income									-
<b>Total Income</b>	3,917,089	3,815,845	3,971,358	4,007,537	3,934,887	4,032,862	3,927,884	4,040,098	46,894,182

<b>Expenses</b>									
Administration Expense	75,547	75,547	75,547	75,547	75,547	75,547	75,547	75,547	905,949
Animal Health Expenses	95,428	92,350	95,428	95,428	92,350	95,428	92,350	95,428	1,122,889
Bedding Expense	21,061	20,381	21,061	21,061	20,381	21,061	20,381	21,061	247,817
Breeding Expenses	64,100	64,100	64,100	64,100	64,100	64,100	64,100	64,100	768,684
BST - Production Enhancer	70,968	68,679	70,968	70,968	68,679	70,968	68,679	70,968	835,075
VW leased Equipment	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	228,000
Depreciation - Equipment	17,293	17,293	17,293	17,293	17,293	17,293	17,293	17,293	207,516
Depreciation - Property & Improvements	79,679	79,679	79,679	79,679	79,679	79,679	79,679	79,679	956,148
Feed Expense	1,194,900	1,194,900	1,194,900	1,194,900	1,194,900	1,196,170	1,197,897	1,197,897	14,336,738
Milk Hauling	45,224	43,765	45,224	45,224	43,765	45,224	43,765	45,224	532,234
Livestock Trucking	30,363	30,363	30,363	30,363	30,363	30,363	30,363	30,363	364,106
Fuel	65,977	65,977	65,977	65,977	65,977	65,977	65,977	65,977	791,189
Herd Replacement Expense	844,781	844,781	844,781	844,781	844,781	844,781	844,781	880,500	10,472,438
Insurance Expense	33,410	33,410	33,410	33,410	33,410	33,410	33,410	33,410	400,645
VW Facility Lease	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	1,680,000
Labor Expense	345,700	345,700	345,700	345,700	345,700	345,700	345,700	345,700	4,148,400
Marketing Expenses	45,224	43,765	45,224	45,224	43,765	45,224	43,765	45,224	532,234
Nutrient Management Expenses (manure)	73,108	73,108	73,108	73,108	73,108	73,274	73,441	73,441	876,887
Rent Expense	56,617	56,617	56,617	56,617	56,617	56,617	56,617	56,617	678,970
Repairs & Maintenance	70,604	70,604	70,604	70,604	70,604	70,604	70,604	70,604	846,670
Supplies	69,471	69,471	69,471	69,471	69,471	69,471	69,471	69,471	833,089
Utilities	116,831	116,831	116,831	116,831	116,831	116,831	116,831	116,831	1,401,018
Uncategorized Expenses									
<b>Total Expenses</b>	<b>3,575,285</b>	<b>3,566,321</b>	<b>3,575,285</b>	<b>3,575,285</b>	<b>3,566,321</b>	<b>3,576,722</b>	<b>3,569,651</b>	<b>3,614,334</b>	<b>43,166,695</b>
<b>Operating Income</b>	<b>341,804</b>	<b>249,525</b>	<b>396,072</b>	<b>432,252</b>	<b>368,566</b>	<b>456,141</b>	<b>358,233</b>	<b>425,764</b>	<b>3,727,487</b>
Other Income/Expense									
Other Income									-
Dividends	-	-	-	-	-	-	-	-	-
Total Other Income	-	-	-	-	-	-	-	-	-
Other Expenses									
Taxes	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	75,600
Interest Expense									-
Corn silage feed loan	10,052	8,078	6,086	4,076	2,047	23,375	21,523	19,655	154,479
Haylage Feed Loan	-	-	-	-	-	-	-	-	-
New Cow Loan	28,983	28,615	28,245	27,873	27,498	27,122	26,743	26,362	341,012
New Real Estate Loan	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	1,440,000
CAT-236B	-	-	-	-	-	-	-	-	-
CAT-00855,00566	1,190	1,170	1,149	1,128	1,107	1,086	1,065	1,044	13,904
CAT-236B 05632	-	-	-	-	-	-	-	-	-
CAT-C15-976,C18-003	1,307	1,286	1,264	1,243	1,221	1,199	1,177	1,155	15,293
CAT 236B2 0HEN08679	-	-	-	-	-	-	-	-	-
CAT 236B2 0HEN08680	-	-	-	-	-	-	-	-	-
CAT 236B2 0HEN09214	-	-	-	-	-	-	-	-	-
CAT C15 #C5E01444, 1445	1,163	1,145	1,127	1,109	1,091	1,073	1,055	1,036	13,627
Total Other Expense	168,995	166,594	164,172	161,729	159,265	180,155	177,863	175,552	2,053,914
<b>Total Other Income/Expense</b>	<b>168,995</b>	<b>166,594</b>	<b>164,172</b>	<b>161,729</b>	<b>159,265</b>	<b>180,155</b>	<b>177,863</b>	<b>175,552</b>	<b>2,053,914</b>

<b>Net Income Before Taxes</b>	172,808	82,931	231,901	270,523	209,301	275,985	180,370	250,212	1,673,573
<b>EBITDA</b>	438,776	346,497	493,044	529,224	465,538	553,113	455,205	522,736	4,891,151

Vista - Balance Sheet		Vista - Balance Sheet							
		Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
		May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
<b>ASSETS:</b>									
<b>Current assets</b>									
Cash		5,432,546	5,677,213	5,829,581	6,128,475	6,463,528	6,758,644	7,118,630	7,380,689
Accounts receivable, trade		547,347	446,104	601,616	637,795	565,145	663,121	558,143	670,357
Feed Inventory		868,369	653,287	438,205	223,123	2,558,041	2,342,731	2,127,109	1,911,488
Prepaid Expenses		420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
<b>Total Current Assets</b>		7,268,263	7,196,604	7,289,402	7,409,393	10,006,714	10,184,495	10,223,882	10,382,533
Equipment Purchases									
<b>Fixed Assets</b>									
Equipment		786,595	769,302	752,009	734,716	717,423	700,130	682,837	665,544
Land, Property, & Improvements		16,662,568	16,582,889	16,503,210	16,423,531	16,343,852	16,264,173	16,184,494	16,104,815
<b>Total Fixed Assets</b>		17,449,163	17,352,191	17,255,219	17,158,247	17,061,275	16,964,303	16,867,331	16,770,359
<b>Other Assets</b>									
Capital Retains		96,000	108,000	120,000	132,000	144,000	156,000	168,000	180,000
Livestock Inventory		7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
Non Marketable Securities									
<b>Total Assets</b>		32,013,426	31,856,795	31,864,621	31,899,640	34,411,989	34,504,798	34,459,213	34,532,892
		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>LIABILITIES:</b>									
<b>Current Liabilities</b>									
Accounts payable		1,035,926	1,024,560	1,031,103	1,028,660	1,017,232	1,048,523	1,039,160	1,081,532
Accrued Manure Expense		678,372	751,480	824,588	897,696	970,803	1,044,078	1,117,519	1,190,960
Other Current Liabilities									
Payroll Liabilities		-	-	-	-	-	-	-	-
<b>Total Other Current Liabilities</b>		-	-	-	-	-	-	-	-
Current Debt									
Corn Silage Feed Loan		881,206	663,911	444,624	223,326	2,550,000	2,348,002	2,144,152	1,938,433
Haylage feed loan		-	-	-	-	-	-	-	-
<b>Total Current Debt</b>		881,206	663,911	444,624	223,326	2,550,000	2,348,002	2,144,152	1,938,433
<b>Total Current Liabilities</b>		2,595,505	2,439,951	2,300,314	2,149,682	4,538,035	4,440,603	4,300,831	4,210,926



<b>Long Term Liabilities</b>								
New Cow Loan	4,905,474	4,842,025	4,778,206	4,714,014	4,649,448	4,584,505	4,519,183	4,453,480
New Real Estate Bridge Loan	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
CAT 236B2	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT 236B2	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT-00855,00566	196,686	193,214	189,721	186,208	182,674	179,118	175,542	171,944
CAT-236B 05632	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT-C15-976,C18-003	217,954	214,304	210,633	206,940	203,225	199,488	195,729	191,948
CAT 236B2 0HEN08679	27,045	25,590	24,134	22,679	21,223	19,768	18,312	16,857
CAT 236B2 0HEN08680	27,045	25,590	24,134	22,679	21,223	19,768	18,312	16,857
CAT 236B2 0HEN09214	29,893	28,467	27,042	25,617	24,191	22,766	21,341	19,915
CAT C15 #C5E01444, 1445	196,301	193,242	190,165	187,071	183,958	180,827	177,678	174,511
CAT 236B2	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT 236B2	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
<b>Total Long Term Liabilities</b>	<b>21,697,065</b>	<b>21,613,057</b>	<b>21,528,619</b>	<b>21,443,748</b>	<b>21,358,442</b>	<b>21,272,698</b>	<b>21,186,515</b>	<b>21,099,888</b>
<b>Total Liabilities</b>	<b>24,292,570</b>	<b>24,053,008</b>	<b>23,828,933</b>	<b>23,593,430</b>	<b>25,896,477</b>	<b>25,713,301</b>	<b>25,487,346</b>	<b>25,310,814</b>
<b>SHAREHOLDER EQUITY</b>								
Partner Equity	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Retained Earnings	548,506	548,506	548,506	548,506	548,506	548,506	548,506	548,506
YTD net income (calendar)	172,350	255,281	487,182	757,705	967,006	1,242,991	1,423,361	1,673,573
<b>Total Shareholder Equity</b>	<b>7,720,856</b>	<b>7,803,787</b>	<b>8,035,688</b>	<b>8,306,211</b>	<b>8,515,512</b>	<b>8,791,497</b>	<b>8,971,867</b>	<b>9,222,079</b>
<b>Total Liabilities and S/H Equity</b>	<b>32,013,426</b>	<b>31,856,795</b>	<b>31,864,621</b>	<b>31,899,640</b>	<b>34,411,989</b>	<b>34,504,798</b>	<b>34,459,213</b>	<b>34,532,892</b>
Current Ratio	2.8	2.9	3.2	3.4	2.2	2.3	2.4	2.5
Debt to Equity	3.15	3.08	2.97	2.84	3.04	2.92	2.84	2.74

<b>Vista - Cash Flow Statement</b>	<b>Vista - Cash Flow Statement</b>								<b>Total</b>
	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	
	<b>May-11</b>	<b>Jun-11</b>	<b>Jul-11</b>	<b>Aug-11</b>	<b>Sep-11</b>	<b>Oct-11</b>	<b>Nov-11</b>	<b>Dec-11</b>	
<b>CASH FROM OPERATIONS</b>									
Net Income	172,808	82,931	231,901	270,523	209,301	275,985	180,370	250,212	1,673,573
Depreciation/ amortization	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	1,163,664

Changes in working capital									
Accounts receivable, trade	(128,653)	101,243	(155,512)	(36,179)	72,650	(97,976)	104,978	(112,214)	(221,886)
Notes Receivable	0	0	0	0	0	0	0	0	0
Feed Inventory	215,082	215,082	215,082	215,082	(2,334,918)	215,311	215,621	215,621	30,613
Other Current Assets	0	0	0	0	0	0	0	0	0
Capital Retains	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(144,000)
Livestock Inventory	0	0	0	0	0	0	0	0	0
Accounts payable	(59,008)	(11,366)	6,543	(2,443)	(11,428)	31,291	(9,363)	42,372	369,569
Accrued Manure Expense	73,108	73,108	73,108	73,108	73,108	73,274	73,441	73,441	876,887
Other Current Liabilities	0	0	0	0	0	0	0	0	0
Notes Payable	0	0	0	0	0	0	0	0	0
<b>Net cash provided by Operations</b>	<b>358,310</b>	<b>545,970</b>	<b>456,093</b>	<b>605,062</b>	<b>(1,906,315)</b>	<b>582,858</b>	<b>650,020</b>	<b>554,405</b>	<b>3,748,420</b>
<b>CAPITAL EXPENDITURES</b>									
Equipment	0	0	0	0	0	0	0	0	(58,000)
Prepaid Rent	0	0	0	0	0	0	0	0	0
Land, Property, & Improvements	0	0	0	0	0	0	0	0	0
<b>Net cash used in Capital Exp.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(58,000)</b>
<b>FINANCING/EQUITY ACTIVITIES</b>									
New Feed Loan	(215,322)	(217,296)	(219,287)	(221,298)	2,326,674	(201,998)	(203,850)	(205,719)	0
Cow Loan	(63,081)	(63,449)	(63,819)	(64,192)	(64,566)	(64,943)	(65,322)	(65,703)	(763,764)
New Real Estate Bridge Loan	0	0	0	0	0	0	0	0	0
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
CAT-00855,00566	(3,451)	(3,472)	(3,493)	(3,513)	(3,534)	(3,555)	(3,576)	(3,598)	(41,796)
CAT-236B 05632	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
CAT-C15-976,C18-003	(3,628)	(3,650)	(3,671)	(3,693)	(3,715)	(3,737)	(3,759)	(3,781)	(43,937)
CAT 236B2 0HEN08679	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	11,535
CAT 236B2 0HEN08680	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	11,535
CAT 236B2 0HEN09214	27,575	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	11,896
CAT C15 #C5E01444, 1445	(3,041)	(3,059)	(3,077)	(3,095)	(3,113)	(3,131)	(3,149)	(3,167)	(36,820)
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
<b>Net cash from Financing</b>	<b>(269,902)</b>	<b>(301,303)</b>	<b>(303,725)</b>	<b>(306,168)</b>	<b>2,241,368</b>	<b>(287,742)</b>	<b>(290,034)</b>	<b>(292,345)</b>	<b>(923,851)</b>
<b>NET CASH FLOW</b>	<b>88,408</b>	<b>244,667</b>	<b>152,367</b>	<b>298,894</b>	<b>335,053</b>	<b>295,116</b>	<b>359,986</b>	<b>262,059</b>	<b>2,766,569</b>
<b>BEGINNING CASH</b>	<b>5,344,138</b>	<b>5,432,546</b>	<b>5,677,213</b>	<b>5,829,581</b>	<b>6,128,475</b>	<b>6,463,528</b>	<b>6,758,644</b>	<b>7,118,630</b>	
Cash expenses- nonpayroll	3,323,034	3,311,667	3,318,210	3,315,767	3,304,339	3,335,630	3,326,267	3,368,639	
Depreciation/ Amortization	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	1,163,664
Depreciation	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	1,163,664
Amortization	-	-	-	-	-	-	-	-	-

<b>Vista</b>	
Total Average No. Milked	
Average No. Milked- Fresh (Transition)	
Average No. Milked- Lac	
Average Lbs/cow/day- Fresh	
Average Lbs/cow/day - Lac	
Total Lbs Sold	
Blend Price/cwt	
Class III Price/cwt	
Milk Premium	
Culls - Lactating (>30 DIM) Cows	
Cull Rate - Lactating (>30 DIM) Cows	
Death loss - Lactating (>30 DIM) Cows	
Death Loss Rate - Lactating (>30 DIM) Cows	
Dry Cow Turnover	
Dry Cow Turnover %	
Feed Conversion - Fresh Herd	
Feed Conversion - Lactating Herd	
Feed Cost/lb DM	
Feed Shrink	
Steam Up Ration (per fresh cow per day)	
Faroff Ration (per fresh cow per day)	
Admin Expense (per cow per month)	
Animal Health (per cow per day)	
Bedding (per cow per day)	
Breeding Expense (per cow per month)	
BST (per cow per day)	
Feed Expense (per cow per month)	
Milk Hauling/cwt	
Livestock Trucking (per cow per month)	
Fuel Exp. (per cow per month)	
Herd Replacement Expense (per cow per mo)	
Insurance (per cow per month)	
Labor Expense (per day)	
Marketing Exp. (Milk lbs./Month)	
Manure Expense (per cow per month)	
Leased Equipment Expense (per cow per mo)	
Repairs & Maintenance	
Supplies	
Utilities	

	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
							<b>Vista</b>		
Total Average No. Milked	7,631	7,642	7,642	7,642	7,631	7,631	7,631	7,631	7,631
Average No. Milked- Fresh (Transition)	531	542	542	542	531	531	531	531	531
Average No. Milked- Lac	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
Average Lbs/cow/day- Fresh	57	57	57	57	57	57	57	57	57
Average Lbs/cow/day - Lac	80	80	80	80	80	80	80	80	80
Total Lbs Sold	18,546,277	16,769,032	18,565,714	17,966,820	18,546,277	17,948,010	18,546,277	18,546,277	17,948,010
Blend Price/cwt	\$ 17.90	\$ 18.10	\$ 18.15	\$ 18.35	\$ 18.35	\$ 18.65	\$ 18.74	\$ 18.75	\$ 18.75
Class III Price/cwt	\$ 14.65	\$ 14.85	\$ 14.90	\$ 15.10	\$ 15.10	\$ 15.40	\$ 15.49	\$ 15.50	\$ 15.50
Milk Premium	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
Culls - Lactating (>30 DIM) Cows	164	164	164	164	164	164	164	164	164
Cull Rate - Lactating (>30 DIM) Cows	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Death loss - Lactating (>30 DIM) Cows	23	23	23	23	23	23	23	23	23
Death Loss Rate - Lactating (>30 DIM) Cows	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%
Dry Cow Turnover	562	562	562	562	562	562	562	562	562
Dry Cow Turnover %	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%
Feed Conversion - Fresh Herd	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Feed Conversion - Lactating Herd	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55	1.55
Feed Cost/lb DM	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833
Feed Shrink	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Steam Up Ration (per fresh cow per day)	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
Faroff Ration (per fresh cow per day)	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Admin Expense (per cow per month)	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
Animal Health (per cow per day)	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Bedding (per cow per day)	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Breeding Expense (per cow per month)	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
BST (per cow per day)	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Feed Expense (per cow per month)	\$ 156.62	\$ 156.30	\$ 156.30	\$ 156.30	\$ 156.39	\$ 156.39	\$ 156.39	\$ 156.39	\$ 156.39
Milk Hauling/cwt	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Livestock Trucking (per cow per month)	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
Fuel Exp. (per cow per month)	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
Herd Replacement Expense (per cow per mo)	\$ 110.70	\$ 110.54	\$ 110.54	\$ 110.54	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70
Insurance (per cow per month)	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
Labor Expense (per day)	\$ 11,151.61	\$ 12,346.43	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,151.61	\$ 11,523.33
Marketing Exp. (Milk lbs./Month)	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Manure Expense (per cow per month)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Leased Equipment Expense (per cow per mo)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Repairs & Maintenance	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
Supplies	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
Utilities	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

Milk Income Per Cow	\$ 435.04	\$ 397.17	\$ 440.94	\$ 431.42	\$ 445.98	\$ 438.65	\$ 455.45	\$ 455.70	\$ 441.00
Operating Cost Per Cow	\$ 366.85	\$ 362.65	\$ 366.20	\$ 365.02	\$ 366.60	\$ 365.42	\$ 366.60	\$ 366.60	\$ 365.42
Operating Profit/Loss Per Cow	\$68.19	\$34.52	\$74.74	\$66.40	\$79.37	\$73.23	\$88.85	\$89.09	\$75.58
Operating Cost Per CWT	\$15.09	\$16.53	\$15.07	\$15.53	\$15.08	\$15.54	\$15.08	\$15.08	\$15.54
Operating Break Even Class III	\$ 11.84	\$ 13.28	\$ 11.82	\$ 12.28	\$ 11.83	\$ 12.29	\$ 11.83	\$ 11.83	\$ 12.29

**COSTS DO NOT INCLUDE OTHER EXPENSE/**  
**Feed Expense = Days\*(Feed Cost\*(1+Shrink))\***  
**Herd Replacement Expense = (Dry Cows from**  
**Milk Cow Sales to Other PR herds = Fresh Cow**  
**Cull Cow Sales = Lactating Cows\*Cull Rate\*Cu**

Vista - Income Statement - Summary	
<b>Total Income</b>	
<b>Total Expenses</b>	
<b>Operating Income</b>	
<b>% of Income</b>	
<b>Other Expense (Income)</b>	
<b>Net Income Before Taxes</b>	
<b>% of Income</b>	
<b>EBITDA</b>	
<b>% of Income</b>	

Vista - Income Statement - Summary									
Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	
4,098,324	3,815,144	4,149,626	4,076,861	4,181,782	4,125,844	4,254,113	4,255,967	4,143,792	
3,577,978	3,551,306	3,578,457	3,569,407	3,576,084	3,567,046	3,576,084	3,576,084	3,567,046	
520,346	263,838	571,169	507,454	605,698	558,799	678,029	679,883	576,747	
0	6.92%	13.76%	12.45%	14.48%	13.54%	15.94%	15.97%	13.92%	
173,221	170,870	168,498	166,107	163,695	161,263	158,810	156,336	153,840	
347,125	92,968	402,671	341,347	442,003	397,536	519,219	523,548	422,906	
0	2.44%	9.70%	8.37%	10.57%	9.64%	12.21%	12.30%	10.21%	
617,318	360,810	668,141	604,426	702,670	655,771	775,001	776,855	673,719	
0	9.46%	16.10%	14.83%	16.80%	15.89%	18.22%	18.25%	16.26%	

Vista - Detailed P&L	
<b>Income</b>	
Livestock Sales	
Bull Calf Sales	
Heifer Calf Sales	
Cull Cow Sales	
Milk Cow Sales (to other PR herds)	
Manure Income	
Milk	
Miscellaneous Income	
Rental Income	
<b>Total Income</b>	

Vista - Detailed P&L									
Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	
29,300	29,900	29,900	29,900	29,300	29,300	29,300	29,300	29,300	
24,000	24,500	24,500	24,500	24,000	24,000	24,000	24,000	24,000	
120,740	121,049	121,049	121,049	120,740	120,740	120,740	120,740	120,740	
604,500	604,500	604,500	604,500	604,500	604,500	604,500	604,500	604,500	
3,319,784	3,035,195	3,369,677	3,296,911	3,403,242	3,347,304	3,475,572	3,477,427	3,365,252	
-	-	-	-	-	-	-	-	-	
4,098,324	3,815,144	4,149,626	4,076,861	4,181,782	4,125,844	4,254,113	4,255,967	4,143,792	

<b>Expenses</b>									
Administration Expense	75,547	75,656	75,656	75,656	75,547	75,547	75,547	75,547	75,547
Animal Health Expenses	95,428	86,317	95,566	92,483	95,428	92,350	95,428	95,428	92,350
Bedding Expense	21,061	19,050	21,091	20,411	21,061	20,381	21,061	21,061	20,381
Breeding Expenses	64,100	64,193	64,193	64,193	64,100	64,100	64,100	64,100	64,100
BST - Production Enhancer	70,968	64,193	71,071	68,778	70,968	68,679	70,968	70,968	68,679
VW leased Equipment	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Depreciation - Equipment	17,293	17,293	17,293	17,293	17,293	17,293	17,293	17,293	17,293
Depreciation - Property & Improvements	79,679	79,679	79,679	79,679	79,679	79,679	79,679	79,679	79,679
Feed Expense	1,195,143	1,194,425	1,194,425	1,194,425	1,193,415	1,193,415	1,193,415	1,193,415	1,193,415
Milk Hauling	46,366	41,923	46,414	44,917	46,366	44,870	46,366	46,366	44,870
Livestock Trucking	30,363	30,406	30,406	30,406	30,363	30,363	30,363	30,363	30,363
Fuel	65,977	66,072	66,072	66,072	65,977	65,977	65,977	65,977	65,977
Herd Replacement Expense	844,781	844,781	844,781	844,781	844,781	844,781	844,781	844,781	844,781
Insurance Expense	33,410	33,458	33,458	33,458	33,410	33,410	33,410	33,410	33,410
VW Facility Lease	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Labor Expense	345,700	345,700	345,700	345,700	345,700	345,700	345,700	345,700	345,700
Marketing Expenses	46,366	41,923	46,414	44,917	46,366	44,870	46,366	46,366	44,870
Nutrient Management Expenses (manure)	73,274	73,268	73,268	73,268	73,108	73,108	73,108	73,108	73,108
Rent Expense	56,617	56,694	56,694	56,694	56,617	56,617	56,617	56,617	56,617
Repairs & Maintenance	70,604	70,705	70,705	70,705	70,604	70,604	70,604	70,604	70,604
Supplies	69,471	69,571	69,571	69,571	69,471	69,471	69,471	69,471	69,471
Utilities	116,831	116,999	116,999	116,999	116,831	116,831	116,831	116,831	116,831
Uncategorized Expenses									
<b>Total Expenses</b>	<b>3,577,978</b>	<b>3,551,306</b>	<b>3,578,457</b>	<b>3,569,407</b>	<b>3,576,084</b>	<b>3,567,046</b>	<b>3,576,084</b>	<b>3,576,084</b>	<b>3,567,046</b>
<b>Operating Income</b>	<b>520,346</b>	<b>263,838</b>	<b>571,169</b>	<b>507,454</b>	<b>605,698</b>	<b>558,799</b>	<b>678,029</b>	<b>679,883</b>	<b>576,747</b>
Other Income/Expense									
Other Income									
Dividends	-	-	-	-	-	-	-	-	-
Total Other Income	-	-	-	-	-	-	-	-	-
Other Expenses									
Taxes	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Interest Expense									
Corn silage feed loan	17,769	15,866	13,945	12,007	10,052	8,078	6,086	4,076	2,047
Haylage Feed Loan	-	-	-	-	-	-	-	-	-
New Cow Loan	25,979	25,593	25,205	24,815	24,423	24,029	23,632	23,232	22,831
New Real Estate Loan	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
CAT-236B	-	-	-	-	-	-	-	-	-
CAT-00855,00566	1,023	1,001	979	958	936	914	891	869	847
CAT-236B 05632	-	-	-	-	-	-	-	-	-
CAT-C15-976,C18-003	1,132	1,110	1,087	1,065	1,042	1,019	996	973	949
CAT 236B2 0HEN08679	-	-	-	-	-	-	-	-	-
CAT 236B2 0HEN08680	-	-	-	-	-	-	-	-	-
CAT 236B2 0HEN09214	-	-	-	-	-	-	-	-	-
CAT C15 #C5E01444, 1445	1,018	999	981	962	943	924	905	886	866
Total Other Expense	173,221	170,870	168,498	166,107	163,695	161,263	158,810	156,336	153,840
<b>Total Other Income/Expense</b>	<b>173,221</b>	<b>170,870</b>	<b>168,498</b>	<b>166,107</b>	<b>163,695</b>	<b>161,263</b>	<b>158,810</b>	<b>156,336</b>	<b>153,840</b>

<b>Net Income Before Taxes</b>	
<b>EBITDA</b>	
<b>Vista - Balance Sheet</b>	
<b>ASSETS:</b>	
<b>Current assets</b>	
Cash	
Accounts receivable, trade	
Feed Inventory	
Prepaid Expenses	
<b>Total Current Assets</b>	
Equipment Purchases	
<b>Fixed Assets</b>	
Equipment	
Land, Property, & Improvements	
<b>Total Fixed Assets</b>	
<b>Other Assets</b>	
Capital Retains	
Livestock Inventory	
Non Marketable Securities	
<b>Total Assets</b>	
<b>LIABILITIES:</b>	
<b>Current Liabilities</b>	
Accounts payable	
Accrued Manure Expense	
Other Current Liabilities	
Payroll Liabilities	
<b>Total Other Current Liabilities</b>	
Current Debt	
Corn Silage Feed Loan	
Haylage feed loan	
<b>Total Current Debt</b>	
<b>Total Current Liabilities</b>	

347,125	92,968	402,671	341,347	442,003	397,536	519,219	523,548	422,906
617,318	360,810	668,141	604,426	702,670	655,771	775,001	776,855	673,719
<b>Vista - Balance Sheet</b>								
<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Vista - Balance Sheet</b>		<b>Fcst</b>	<b>Fcst</b>
<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
<b>Jun-12</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>					
7,709,597	8,132,822	8,299,629	8,773,746	9,183,895	9,692,158	10,153,501	10,705,053	12,624,439
728,582	445,403	779,885	707,119	812,041	756,103	884,371	886,226	774,051
1,696,362	1,481,365	1,266,369	1,051,372	836,558	621,743	406,928	192,113	1,277,298
420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
10,554,541	10,479,590	10,765,882	10,952,238	11,252,493	11,490,004	11,864,800	12,203,392	15,095,788
							29,000	58,000
648,251	630,958	613,665	596,372	579,079	561,786	544,493	556,200	596,907
16,025,136	15,945,457	15,865,778	15,786,099	15,706,420	15,626,741	15,547,062	15,467,383	15,387,704
16,673,387	16,576,415	16,479,443	16,382,471	16,285,499	16,188,527	16,091,555	16,023,583	15,984,611
192,000	204,000	216,000	228,000	240,000	252,000	264,000	276,000	288,000
7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
34,619,928	34,460,005	34,661,325	34,762,709	34,977,992	35,130,531	35,420,355	35,702,975	38,568,399
(0.01)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)

1,042,845	1,013,713	1,038,492	1,027,051	1,031,425	1,019,954	1,026,540	1,024,065	1,012,532
1,264,235	1,337,503	1,410,771	1,484,039	1,557,147	1,630,255	1,703,362	1,776,470	1,849,578
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,730,829	1,521,322	1,309,894	1,096,528	881,206	663,911	444,624	223,326	2,550,000
-	-	-	-	-	-	-	-	-
1,730,829	1,521,322	1,309,894	1,096,528	881,206	663,911	444,624	223,326	2,550,000
4,037,908	3,872,538	3,759,157	3,607,618	3,469,778	3,314,120	3,174,526	3,023,862	5,412,110

<b>Long Term Liabilities</b>									
New Cow Loan	4,387,394	4,320,923	4,254,064	4,186,814	4,119,173	4,051,137	3,982,704	3,913,871	3,844,638
New Real Estate Bridge Loan	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
CAT 236B2	9,667	8,458	7,250	6,042	4,833	3,625	2,417	1,208	29,000
CAT 236B2	9,667	8,458	7,250	6,042	4,833	3,625	2,417	1,208	29,000
CAT-00855,00566	168,325	164,684	161,022	157,338	153,632	149,904	146,154	142,381	138,586
CAT-236B 05632	9,667	8,458	7,250	6,042	4,833	3,625	2,417	1,208	29,000
CAT-C15-976,C18-003	188,145	184,319	180,471	176,600	172,706	168,789	164,849	160,886	156,899
CAT 236B2 0HEN08679	15,402	13,946	12,491	11,035	9,580	8,124	6,669	5,214	3,758
CAT 236B2 0HEN08680	15,402	13,946	12,491	11,035	9,580	8,124	6,669	5,214	3,758
CAT 236B2 0HEN09214	18,490	17,065	15,639	14,214	12,789	11,364	9,938	8,513	7,088
CAT C15 #C5E01444, 1445	171,325	168,120	164,897	161,655	158,394	155,115	151,816	148,497	145,160
CAT 236B2	9,667	8,458	7,250	6,042	4,833	3,625	2,417	1,208	29,000
CAT 236B2	9,667	8,458	7,250	6,042	4,833	3,625	2,417	1,208	29,000
<b>Total Long Term Liabilities</b>	<b>21,012,816</b>	<b>20,925,295</b>	<b>20,837,325</b>	<b>20,748,900</b>	<b>20,660,020</b>	<b>20,570,681</b>	<b>20,480,881</b>	<b>20,390,617</b>	<b>20,444,887</b>
<b>Total Liabilities</b>	<b>25,050,724</b>	<b>24,797,833</b>	<b>24,596,482</b>	<b>24,356,518</b>	<b>24,129,799</b>	<b>23,884,801</b>	<b>23,655,407</b>	<b>23,414,479</b>	<b>25,856,997</b>
<b>SHAREHOLDER EQUITY</b>									
Partner Equity	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Retained Earnings	2,222,079	2,222,079	2,222,079	2,222,079	2,222,079	2,222,079	2,222,079	2,222,079	2,222,079
YTD net income (calendar)	347,125	440,094	842,765	1,184,112	1,626,115	2,023,651	2,542,870	3,066,418	3,489,324
<b>Total Shareholder Equity</b>	<b>9,569,204</b>	<b>9,662,172</b>	<b>10,064,843</b>	<b>10,406,190</b>	<b>10,848,193</b>	<b>11,245,729</b>	<b>11,764,948</b>	<b>12,288,496</b>	<b>12,711,403</b>
<b>Total Liabilities and S/H Equity</b>	<b>34,619,928</b>	<b>34,460,005</b>	<b>34,661,325</b>	<b>34,762,709</b>	<b>34,977,992</b>	<b>35,130,531</b>	<b>35,420,355</b>	<b>35,702,975</b>	<b>38,568,399</b>
Current Ratio	2.6	2.7	2.9	3.0	3.2	3.5	3.7	4.0	2.8
Debt to Equity	2.62	2.57	2.44	2.34	2.22	2.12	2.01	1.91	2.03

	<b>Vista - Cash Flow Statement</b>								
	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
	<b>Jan-12</b>	<b>Feb-12</b>	<b>Mar-12</b>	<b>Apr-12</b>	<b>May-12</b>	<b>Jun-12</b>	<b>Jul-12</b>	<b>Aug-12</b>	<b>Sep-12</b>
<b>CASH FROM OPERATIONS</b>									
Net Income	347,125	92,968	402,671	341,347	442,003	397,536	519,219	523,548	422,906
Depreciation/ amortization	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972

Changes in working capital									
Accounts receivable, trade	(58,226)	283,180	(334,482)	72,766	(104,921)	55,938	(128,268)	(1,855)	112,175
Notes Receivable	0	0	0	0	0	0	0	0	0
Feed Inventory	215,126	214,997	214,997	214,997	214,815	214,815	214,815	214,815	(1,085,185)
Other Current Assets	0	0	0	0	0	0	0	0	0
Capital Retains	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Livestock Inventory	0	0	0	0	0	0	0	0	0
Accounts payable	(38,688)	(29,132)	24,779	(11,442)	4,374	(11,471)	6,585	(2,474)	(11,534)
Accrued Manure Expense	73,274	73,268	73,268	73,268	73,108	73,108	73,108	73,108	73,108
Other Current Liabilities	0	0	0	0	0	0	0	0	0
Notes Payable	0	0	0	0	0	0	0	0	0
<b>Net cash provided by Operations</b>	<b>623,584</b>	<b>720,253</b>	<b>466,205</b>	<b>775,908</b>	<b>714,351</b>	<b>814,898</b>	<b>770,430</b>	<b>892,114</b>	<b>(403,558)</b>
<b>CAPITAL EXPENDITURES</b>									
Equipment	0	0	0	0	0	0	0	(29,000)	(58,000)
Prepaid Rent	0	0	0	0	0	0	0	0	0
Land, Property, & Improvements	0	0	0	0	0	0	0	0	0
<b>Net cash used in Capital Exp.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(29,000)</b>	<b>(58,000)</b>
<b>FINANCING/EQUITY ACTIVITIES</b>									
New Feed Loan	(207,604)	(209,507)	(211,428)	(213,366)	(215,322)	(217,296)	(219,287)	(221,298)	2,326,674
Cow Loan	(66,086)	(66,472)	(66,859)	(67,249)	(67,642)	(68,036)	(68,433)	(68,832)	(69,234)
New Real Estate Bridge Loan	0	0	0	0	0	0	0	0	0
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	27,792
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	27,792
CAT-00855,00566	(3,619)	(3,641)	(3,662)	(3,684)	(3,706)	(3,728)	(3,750)	(3,772)	(3,795)
CAT-236B 05632	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	27,792
CAT-C15-976,C18-003	(3,803)	(3,826)	(3,848)	(3,871)	(3,894)	(3,917)	(3,940)	(3,963)	(3,987)
CAT 236B2 0HEN08679	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)
CAT 236B2 0HEN08680	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)
CAT 236B2 0HEN09214	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)
CAT C15 #C5E01444, 1445	(3,186)	(3,204)	(3,223)	(3,242)	(3,261)	(3,280)	(3,299)	(3,318)	(3,338)
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	27,792
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	27,792
<b>Net cash from Financing</b>	<b>(294,676)</b>	<b>(297,028)</b>	<b>(299,399)</b>	<b>(301,790)</b>	<b>(304,202)</b>	<b>(306,634)</b>	<b>(309,087)</b>	<b>(311,562)</b>	<b>2,380,943</b>
<b>NET CASH FLOW</b>	<b>328,908</b>	<b>423,226</b>	<b>166,806</b>	<b>474,118</b>	<b>410,149</b>	<b>508,263</b>	<b>461,343</b>	<b>551,552</b>	<b>1,919,386</b>
<b>BEGINNING CASH</b>	<b>7,380,689</b>	<b>7,709,597</b>	<b>8,132,822</b>	<b>8,299,629</b>	<b>8,773,746</b>	<b>9,183,895</b>	<b>9,692,158</b>	<b>10,153,501</b>	<b>10,705,053</b>
Cash expenses- nonpayroll	3,329,952	3,300,820	3,325,600	3,314,158	3,318,532	3,307,062	3,313,647	3,311,173	3,299,639
Depreciation/ Amortization	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972
Depreciation	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972
Amortization	-	-	-	-	-	-	-	-	-



	Fcst	Fcst	Fcst	Fcst
	Oct-12	Nov-12	Dec-12	Total
<b>Vista</b>				
Total Average No. Milked	7,631	7,631	7,631	7,634
Average No. Milked- Fresh (Transition)	531	531	531	534
Average No. Milked- Lac	7,100	7,100	7,100	7,100
Average Lbs/cow/day- Fresh	57	57	57	57.00
Average Lbs/cow/day - Lac	80	80	80	80.00
Total Lbs Sold	18,546,277	17,948,010	18,546,277	218,423,258
Blend Price/cwt	\$ 18.75	\$ 18.75	\$ 18.75	\$ 18.50
Class III Price/cwt	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.25
Milk Premium	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
Culls - Lactating (>30 DIM) Cows	164	164	164	164
Cull Rate - Lactating (>30 DIM) Cows	2.30%	2.30%	2.30%	2.30%
Death loss - Lactating (>30 DIM) Cows	23	23	23	23
Death Loss Rate - Lactating (>30 DIM) Cows	0.32%	0.32%	0.32%	0.32%
Dry Cow Turnover	562	562	562	562
Dry Cow Turnover %	7.92%	7.92%	7.92%	7.92%
Feed Conversion - Fresh Herd	1.7	1.7	1.7	1.70
Feed Conversion - Lactating Herd	1.55	1.55	1.55	1.55
Feed Cost/lb DM	\$ 0.0833	\$ 0.0833	\$ 0.0833	\$ 0.0833
Feed Shrink	6.00%	6.00%	6.00%	6.00%
Steam Up Ration (per fresh cow per day)	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
Faroff Ration (per fresh cow per day)	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Admin Expense (per cow per month)	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
Animal Health (per cow per day)	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Bedding (per cow per day)	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Breeding Expense (per cow per month)	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
BST (per cow per day)	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Feed Expense (per cow per month)	\$ 156.39	\$ 156.56	\$ 156.78	\$ 156.43
Milk Hauling/cwt	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Livestock Trucking (per cow per month)	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
Fuel Exp. (per cow per month)	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
Herd Replacement Expense (per cow per mo)	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.66
Insurance (per cow per month)	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
Labor Expense (per day)	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,375.09
Marketing Exp. (Milk lbs./Month)	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.250
Manure Expense (per cow per month)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Leased Equipment Expense (per cow per mo)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Repairs & Maintenance	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
Supplies	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
Utilities	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

	Fcst	Fcst	Fcst	Fcst
	Jan-13	Feb-13	Mar-13	Apr-13
Total Average No. Milked	7,631	7,642	7,642	7,631
Average No. Milked- Fresh (Transition)	531	542	542	531
Average No. Milked- Lac	7,100	7,100	7,100	7,100
Average Lbs/cow/day- Fresh	57	57	57	57
Average Lbs/cow/day - Lac	81	81	81	81
Total Lbs Sold	18,766,377	16,967,832	18,785,814	18,161,010
Blend Price/cwt	\$ 17.90	\$ 18.10	\$ 18.15	\$ 18.35
Class III Price/cwt	\$ 14.65	\$ 14.85	\$ 14.90	\$ 15.10
Milk Premium	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
Culls - Lactating (>30 DIM) Cows	164	164	164	164
Cull Rate - Lactating (>30 DIM) Cows	2.30%	2.30%	2.30%	2.30%
Death loss - Lactating (>30 DIM) Cows	23	23	23	23
Death Loss Rate - Lactating (>30 DIM) Cows	0.32%	0.32%	0.32%	0.32%
Dry Cow Turnover	562	562	562	562
Dry Cow Turnover %	7.92%	7.92%	7.92%	7.92%
Feed Conversion - Fresh Herd	1.7	1.7	1.7	1.7
Feed Conversion - Lactating Herd	1.56	1.56	1.56	1.56
Feed Cost/lb DM	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800
Feed Shrink	6.00%	6.00%	6.00%	6.00%
Steam Up Ration (per fresh cow per day)	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
Faroff Ration (per fresh cow per day)	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Admin Expense (per cow per month)	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
Animal Health (per cow per day)	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Bedding (per cow per day)	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Breeding Expense (per cow per month)	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
BST (per cow per day)	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Feed Expense (per cow per month)	\$ 151.69	\$ 151.60	\$ 151.60	\$ 151.69
Milk Hauling/cwt	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Livestock Trucking (per cow per month)	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
Fuel Exp. (per cow per month)	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
Herd Replacement Expense (per cow per mo)	\$ 110.70	\$ 110.54	\$ 110.54	\$ 110.70
Insurance (per cow per month)	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
Labor Expense (per day)	\$ 11,151.61	\$ 12,346.43	\$ 11,151.61	\$ 11,523.33
Marketing Exp. (Milk lbs./Month)	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Manure Expense (per cow per month)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Leased Equipment Expense (per cow per mo)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Repairs & Maintenance	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
Supplies	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
Utilities	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

Milk Income Per Cow	\$ 455.70	\$ 441.00	\$ 455.70	\$ 441.14
Operating Cost Per Cow	\$ 366.60	\$ 365.61	\$ 367.04	\$ 365.88
Operating Profit/Loss Per Cow	\$89.09	\$75.39	\$88.66	\$75.26
Operating Cost Per CWT	\$15.08	\$15.54	\$15.10	\$15.36
Operating Break Even Class III	\$ 11.83	\$ 12.29	\$ 11.85	\$ 12.11

\$ 440.20	\$ 401.88	\$ 446.17	\$ 436.71
\$ 362.04	\$ 358.08	\$ 361.64	\$ 360.86
\$78.16	\$43.80	\$84.52	\$75.86
\$14.72	\$16.13	\$14.71	\$15.16
\$ 11.47	\$ 12.88	\$ 11.46	\$ 11.91

**COSTS DO NOT INCLUDE OTHER EXPENSE/**  
**Feed Expense = Days\*(Feed Cost\*(1+Shrink)\***  
**Herd Replacement Expense = (Dry Cows from**  
**Milk Cow Sales to Other PR herds = Fresh Cow**  
**Cull Cow Sales = Lactating Cows\*Cull Rate\*Cc**

Vista - Income Statement - Summary				
	Fcst	Fcst	Fcst	Fcst
	Oct-12	Nov-12	Dec-12	Total
<b>Total Income</b>	4,255,967	4,143,792	4,255,967	49,757,181
<b>Total Expenses</b>	3,576,084	3,568,482	3,579,414	42,863,472
<b>Operating Income</b>	679,883	575,310	676,553	6,893,710
<b>% of Income</b>	15.97%	13.88%	15.90%	0
<b>Other Expense (Income)</b>	174,699	172,375	170,031	1,989,744
<b>Net Income Before Taxes</b>	505,185	402,935	506,522	4,903,966
<b>% of Income</b>	11.87%	9.72%	11.90%	0
<b>EBITDA</b>	776,855	672,282	773,525	8,057,374
<b>% of Income</b>	18.25%	16.22%	18.18%	0

	Fcst	Fcst	Fcst	Fcst
	Jan-13	Feb-13	Mar-13	Apr-13
	4,137,722	3,851,127	4,189,575	4,111,086
	3,541,306	3,516,382	3,543,639	3,532,232
	596,416	334,745	645,936	578,854
	0	8.69%	15.42%	14.08%
	167,668	165,284	162,881	160,456
	428,748	169,461	483,055	418,397
	0	4.40%	11.53%	10.18%
	693,388	431,717	742,908	675,826
	0	11.21%	17.73%	16.44%

Vista - Detailed P&L				
	Fcst	Fcst	Fcst	Fcst
	Oct-12	Nov-12	Dec-12	Total
<b>Income</b>				
Livestock Sales				
Bull Calf Sales	29,300	29,300	29,300	353,400
Heifer Calf Sales	24,000	24,000	24,000	289,500
Cull Cow Sales	120,740	120,740	120,740	1,449,812
Milk Cow Sales (to other PR herds)	604,500	604,500	604,500	7,254,000
Manure Income				-
Milk	3,477,427	3,365,252	3,477,427	40,410,470
Miscellaneous Income	-	-	-	-
Rental Income				-
<b>Total Income</b>	4,255,967	4,143,792	4,255,967	49,757,181

	Fcst	Fcst	Fcst	Fcst
	Jan-13	Feb-13	Mar-13	Apr-13
	29,300	29,900	29,900	29,300
	24,000	24,500	24,500	24,000
	120,740	121,049	121,049	120,740
	604,500	604,500	604,500	604,500
	3,359,181	3,071,178	3,409,625	3,332,545
	-	-	-	-
	4,137,722	3,851,127	4,189,575	4,111,086

<b>Expenses</b>									
Administration Expense	75,547	75,547	75,547	906,890	75,547	75,656	75,656	75,547	
Animal Health Expenses	95,428	92,350	95,428	1,123,983	95,428	86,317	95,566	92,350	
Bedding Expense	21,061	20,381	21,061	248,059	21,061	19,050	21,091	20,381	
Breeding Expenses	64,100	64,100	64,100	769,482	64,100	64,193	64,193	64,100	
BST - Production Enhancer	70,968	68,679	70,968	835,888	70,968	64,193	71,071	68,679	
VW leased Equipment	19,000	19,000	19,000	228,000	19,000	19,000	19,000	19,000	
Depreciation - Equipment	17,293	17,293	17,293	207,516	17,293	17,293	17,293	17,293	
Depreciation - Property & Improvements	79,679	79,679	79,679	956,148	79,679	79,679	79,679	79,679	
Feed Expense	1,193,415	1,194,685	1,196,413	14,330,009	1,157,537	1,158,506	1,158,506	1,157,537	
Milk Hauling	46,366	44,870	46,366	546,058	46,916	42,420	46,965	45,403	
Livestock Trucking	30,363	30,363	30,363	364,484	30,363	30,406	30,406	30,363	
Fuel	65,977	65,977	65,977	792,010	65,977	66,072	66,072	65,977	
Herd Replacement Expense	844,781	844,781	844,781	10,137,375	844,781	844,781	844,781	844,781	
Insurance Expense	33,410	33,410	33,410	401,061	33,410	33,458	33,458	33,410	
VW Facility Lease	140,000	140,000	140,000	1,680,000	140,000	140,000	140,000	140,000	
Labor Expense	345,700	345,700	345,700	4,148,400	345,700	345,700	345,700	345,700	
Marketing Expenses	46,366	44,870	46,366	546,058	46,916	42,420	46,965	45,403	
Nutrient Management Expenses (manure)	73,108	73,274	73,441	878,441	73,108	73,268	73,268	73,108	
Rent Expense	56,617	56,617	56,617	679,635	56,617	56,694	56,694	56,617	
Repairs & Maintenance	70,604	70,604	70,604	847,549	70,604	70,705	70,705	70,604	
Supplies	69,471	69,471	69,471	833,954	69,471	69,571	69,571	69,471	
Utilities	116,831	116,831	116,831	1,402,473	116,831	116,999	116,999	116,831	
Uncategorized Expenses									
<b>Total Expenses</b>	<b>3,576,084</b>	<b>3,568,482</b>	<b>3,579,414</b>	<b>42,863,472</b>	<b>3,541,306</b>	<b>3,516,382</b>	<b>3,543,639</b>	<b>3,532,232</b>	
<b>Operating Income</b>	<b>679,883</b>	<b>575,310</b>	<b>676,553</b>	<b>6,893,710</b>	<b>596,416</b>	<b>334,745</b>	<b>645,936</b>	<b>578,854</b>	
Other Income/Expense									
Other Income				-					
Dividends				-					
<b>Total Other Income</b>				<b>-</b>					
Other Expenses									
Taxes	6,300	6,300	6,300	75,600	6,300	6,300	6,300	6,300	
Interest Expense				-					
Corn silage feed loan	23,375	21,523	19,655	154,479	17,769	15,866	13,945	12,007	
Haylage Feed Loan	-	-	-	-	-	-	-	-	
New Cow Loan	22,427	22,021	21,612	285,799	21,201	20,788	20,372	19,954	
New Real Estate Loan	120,000	120,000	120,000	1,440,000	120,000	120,000	120,000	120,000	
CAT-236B	-	-	-	-	-	-	-	-	
CAT-00855,00566	824	801	779	10,822	756	733	709	686	
CAT-236B 05632	-	-	-	-	-	-	-	-	
CAT-C15-976,C18-003	926	902	878	12,079	854	830	806	782	
CAT 236B2 0HEN08679	-	-	-	-	-	-	-	-	
CAT 236B2 0HEN08680	-	-	-	-	-	-	-	-	
CAT 236B2 0HEN09214	-	-	-	-	-	-	-	-	
CAT C15 #C5E01444, 1445	847	827	807	10,965	788	768	748	728	
<b>Total Other Expense</b>	<b>174,699</b>	<b>172,375</b>	<b>170,031</b>	<b>1,989,744</b>	<b>167,668</b>	<b>165,284</b>	<b>162,881</b>	<b>160,456</b>	
<b>Total Other Income/Expense</b>	<b>174,699</b>	<b>172,375</b>	<b>170,031</b>	<b>1,989,744</b>	<b>167,668</b>	<b>165,284</b>	<b>162,881</b>	<b>160,456</b>	

<b>Net Income Before Taxes</b>	505,185	402,935	506,522	4,903,966
<b>EBITDA</b>	776,855	672,282	773,525	8,057,374

	428,748	169,461	483,055	418,397
	693,388	431,717	742,908	675,826

<b>Vista - Balance Sheet</b>			
	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
	<b>Oct-12</b>	<b>Nov-12</b>	<b>Dec-09</b>
<b>ASSETS:</b>			
<b>Current assets</b>			
Cash	13,127,042	13,709,994	14,188,831
Accounts receivable, trade	886,226	774,051	886,226
Feed Inventory	1,062,484	847,440	632,086
Prepaid Expenses	420,000	420,000	420,000
<b>Total Current Assets</b>	<b>15,495,751</b>	<b>15,751,485</b>	<b>16,127,143</b>
Equipment Purchases		58,000	
<b>Fixed Assets</b>			
Equipment	579,614	620,321	603,028
Land, Property, & Improvements	15,308,025	15,228,346	15,148,667
<b>Total Fixed Assets</b>	<b>15,887,639</b>	<b>15,848,667</b>	<b>15,751,695</b>
<b>Other Assets</b>			
Capital Retains	300,000	312,000	324,000
Livestock Inventory	7,200,000	7,200,000	7,200,000
Non Marketable Securities			
<b>Total Assets</b>	<b>38,883,390</b>	<b>39,112,152</b>	<b>39,402,838</b>
	(0)	(0)	(0)
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	1,042,429	1,032,503	1,041,092
Accrued Manure Expense	1,922,686	1,995,960	2,069,401
Other Current Liabilities			
Payroll Liabilities	-	-	-
<b>Total Other Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current Debt</b>			
Corn Silage Feed Loan	2,348,002	2,144,152	1,938,433
Haylage feed loan	-	-	-
<b>Total Current Debt</b>	<b>2,348,002</b>	<b>2,144,152</b>	<b>1,938,433</b>
<b>Total Current Liabilities</b>	<b>5,313,116</b>	<b>5,172,615</b>	<b>5,048,926</b>

	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
	<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>
	14,763,977	15,259,191	15,492,823	16,037,400
	767,980	481,385	819,833	741,344
	423,729	215,198	6,667	(201,689)
	420,000	420,000	420,000	420,000
	16,375,686	16,375,775	16,739,324	16,997,055
	29,000			
	614,735	597,442	580,149	562,856
	15,068,988	14,989,309	14,909,630	14,829,951
	15,683,723	15,586,751	15,489,779	15,392,807
	336,000	348,000	360,000	372,000
	7,200,000	7,200,000	7,200,000	7,200,000
	39,595,409	39,510,526	39,789,103	39,961,862
	(0.01)	(0)	(0)	(0)
	1,000,620	973,203	998,056	984,334
	2,142,509	2,215,777	2,289,045	2,362,153
	-	-	-	-
	-	-	-	-
	1,730,829	1,521,322	1,309,894	1,096,528
	-	-	-	-
	1,730,829	1,521,322	1,309,894	1,096,528
	4,873,958	4,710,302	4,596,996	4,443,016

<b>Long Term Liabilities</b>			
New Cow Loan	3,775,000	3,704,956	3,634,504
New Real Estate Bridge Loan	16,000,000	16,000,000	16,000,000
CAT 236B2	27,792	26,583	25,375
CAT 236B2	27,792	26,583	25,375
CAT-00855,00566	134,769	130,929	127,066
CAT-236B 05632	27,792	26,583	25,375
CAT-C15-976,C18-003	152,889	148,855	144,798
CAT 236B2 0HEN08679	2,303	29,847	28,392
CAT 236B2 0HEN08680	2,303	29,847	28,392
CAT 236B2 0HEN09214	5,662	4,237	2,812
CAT C15 #C5E01444, 1445	141,803	138,426	135,030
CAT 236B2	27,792	26,583	25,375
CAT 236B2	27,792	26,583	25,375
<b>Total Long Term Liabilities</b>	<b>20,353,687</b>	<b>20,320,014</b>	<b>20,227,867</b>
<b>Total Liabilities</b>	<b>25,666,803</b>	<b>25,492,629</b>	<b>25,276,793</b>
<b>SHAREHOLDER EQUITY</b>			
Partner Equity	7,000,000	7,000,000	7,000,000
Retained Earnings	2,222,079	2,222,079	2,222,079
YTD net income (calendar)	3,994,509	4,397,444	4,903,966
<b>Total Shareholder Equity</b>	<b>13,216,587</b>	<b>13,619,523</b>	<b>14,126,045</b>
<b>Total Liabilities and S/H Equity</b>	<b>38,883,390</b>	<b>39,112,152</b>	<b>39,402,838</b>
Current Ratio	2.9	3.0	3.2
Debt to Equity	1.94	1.87	1.79

3,563,641	3,492,364	3,420,671	3,348,561
16,000,000	16,000,000	16,000,000	16,000,000
24,167	22,958	21,750	20,542
25,375	25,375	25,375	25,375
123,180	119,270	115,338	111,382
24,167	22,958	21,750	20,542
140,716	136,611	132,481	128,327
26,936	25,481	24,025	22,570
26,936	25,481	24,025	22,570
30,386	28,961	27,536	26,110
131,613	128,177	124,721	121,245
24,167	22,958	21,750	20,542
25,375	25,375	25,375	25,375
20,166,659	20,075,970	19,984,798	19,893,140
25,040,617	24,786,272	24,581,794	24,336,155

7,000,000	7,000,000	7,000,000	7,000,000
7,126,045	7,126,045	7,126,045	7,126,045
428,748	598,209	1,081,264	1,499,662
14,554,793	14,724,254	15,207,309	15,625,706
39,595,409	39,510,526	39,789,103	39,961,862

3.4	3.5	3.6	3.8
1.72	1.68	1.62	1.56

<b>Vista - Cash Flow Statement</b>				
	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	
	<b>Oct-12</b>	<b>Nov-12</b>	<b>Dec-12</b>	<b>Total</b>
<b>CASH FROM OPERATIONS</b>				
Net Income	505,185	402,935	506,522	4,903,966
Depreciation/ amortization	96,972	96,972	96,972	1,163,664

<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>
428,748	169,461	483,055	418,397
96,972	96,972	96,972	96,972

Changes in working capital									
Accounts receivable, trade	(112,175)	112,175	(112,175)	(215,869)	118,245	286,595	(338,448)	78,489	
Notes Receivable	0	0	0	0	0	0	0	0	
Feed Inventory	214,815	215,043	215,354	1,279,402	208,357	208,531	208,531	208,357	
Other Current Assets	0	0	0	0	0	0	0	0	
Capital Retains	(12,000)	(12,000)	(12,000)	(144,000)	(12,000)	(12,000)	(12,000)	(12,000)	
Livestock Inventory	0	0	0	0	0	0	0	0	
Accounts payable	29,897	(9,926)	8,589	(40,441)	(40,472)	(27,417)	24,853	(13,722)	
Accrued Manure Expense	73,108	73,274	73,441	878,441	73,108	73,268	73,268	73,108	
Other Current Liabilities	0	0	0	0	0	0	0	0	
Notes Payable	0	0	0	0	0	0	0	0	
<b>Net cash provided by Operations</b>	<b>795,801</b>	<b>878,475</b>	<b>776,703</b>	<b>7,825,163</b>	<b>872,958</b>	<b>795,411</b>	<b>536,232</b>	<b>849,601</b>	
<b>CAPITAL EXPENDITURES</b>									
Equipment	0	(58,000)	0	(145,000)	(29,000)	0	0	0	
Prepaid Rent	0	0	0	0	0	0	0	0	
Land, Property, & Improvements	0	0	0	0	0	0	0	0	
<b>Net cash used in Capital Exp.</b>	<b>0</b>	<b>(58,000)</b>	<b>0</b>	<b>(145,000)</b>	<b>(29,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>FINANCING/EQUITY ACTIVITIES</b>									
New Feed Loan	(201,998)	(203,850)	(205,719)	0	(207,604)	(209,507)	(211,428)	(213,366)	
Cow Loan	(69,638)	(70,044)	(70,452)	(818,976)	(70,863)	(71,277)	(71,693)	(72,111)	
New Real Estate Bridge Loan	0	0	0	0	0	0	0	0	
CAT 236B2	(1,208)	(1,208)	(1,208)	14,500	(1,208)	(1,208)	(1,208)	(1,208)	
CAT 236B2	(1,208)	(1,208)	(1,208)	14,500	0	0	0	0	
CAT-00855,00566	(3,818)	(3,840)	(3,863)	(44,879)	(3,886)	(3,909)	(3,932)	(3,956)	
CAT-236B 05632	(1,208)	(1,208)	(1,208)	14,500	(1,208)	(1,208)	(1,208)	(1,208)	
CAT-C15-976,C18-003	(4,010)	(4,034)	(4,058)	(47,150)	(4,082)	(4,106)	(4,130)	(4,154)	
CAT 236B2 0HEN08679	(1,455)	27,545	(1,455)	11,535	(1,455)	(1,455)	(1,455)	(1,455)	
CAT 236B2 0HEN08680	(1,455)	27,545	(1,455)	11,535	(1,455)	(1,455)	(1,455)	(1,455)	
CAT 236B2 0HEN09214	(1,425)	(1,425)	(1,425)	(17,104)	27,575	(1,425)	(1,425)	(1,425)	
CAT C15 #C5E01444, 1445	(3,357)	(3,377)	(3,396)	(39,481)	(3,416)	(3,436)	(3,456)	(3,476)	
CAT 236B2	(1,208)	(1,208)	(1,208)	14,500	(1,208)	(1,208)	(1,208)	(1,208)	
CAT 236B2	(1,208)	(1,208)	(1,208)	14,500	0	0	0	0	
				0					
<b>Net cash from Financing</b>	<b>(293,198)</b>	<b>(237,522)</b>	<b>(297,866)</b>	<b>(872,021)</b>	<b>(268,813)</b>	<b>(300,196)</b>	<b>(302,600)</b>	<b>(305,024)</b>	
<b>NET CASH FLOW</b>	<b>502,603</b>	<b>582,952</b>	<b>478,837</b>	<b>6,808,142</b>	<b>575,146</b>	<b>495,215</b>	<b>233,632</b>	<b>544,577</b>	
<b>BEGINNING CASH</b>	<b>12,624,439</b>	<b>13,127,042</b>	<b>13,709,994</b>		<b>14,188,831</b>	<b>14,763,977</b>	<b>15,259,191</b>	<b>15,492,823</b>	
Cash expenses- nonpayroll	3,329,536	3,319,610	3,328,199		3,287,727	3,260,310	3,285,164	3,271,441	
Depreciation/ Amortization	96,972	96,972	96,972	1,163,664	96,972	96,972	96,972	96,972	
Depreciation	96,972	96,972	96,972	1,163,664	96,972	96,972	96,972	96,972	
Amortization	-	-	-	-	-	-	-	-	

	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total
<b>Vista</b>	<b>Vista</b>								
Total Average No. Milked	7,631	7,631	7,631	7,631	7,631	7,631	7,631	7,631	7,633
Average No. Milked- Fresh (Transition)	531	531	531	531	531	531	531	531	533
Average No. Milked- Lac	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100
Average Lbs/cow/day- Fresh	57	57	57	57	57	57	57	57	57.00
Average Lbs/cow/day - Lac	81	81	81	81	81	81	81	81	81.00
Total Lbs Sold	18,766,377	18,161,010	18,766,377	18,766,377	18,161,010	18,766,377	18,161,010	18,766,377	220,995,948
Blend Price/cwt	\$ 18.35	\$ 18.65	\$ 18.74	\$ 18.75	\$ 18.75	\$ 18.75	\$ 18.75	\$ 18.75	\$ 18.50
Class III Price/cwt	\$ 15.10	\$ 15.40	\$ 15.49	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.50	\$ 15.25
Milk Premium	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
Culls - Lactating (>30 DIM) Cows	164	164	164	164	164	164	164	164	164
Cull Rate - Lactating (>30 DIM) Cows	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Death loss - Lactating (>30 DIM) Cows	23	23	23	23	23	23	23	23	23
Death Loss Rate - Lactating (>30 DIM) Cows	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%	0.32%
Dry Cow Turnover	562	562	562	562	562	562	562	562	562
Dry Cow Turnover %	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%	7.92%
Feed Conversion - Fresh Herd	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.70
Feed Conversion - Lactating Herd	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56	1.56
Feed Cost/lb DM	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800	\$ 0.0800
Feed Shrink	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Steam Up Ration (per fresh cow per day)	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34	\$ 2.34
Faroff Ration (per fresh cow per day)	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.72
Admin Expense (per cow per month)	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90	\$ 9.90
Animal Health (per cow per day)	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40	\$ 0.40
Bedding (per cow per day)	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Breeding Expense (per cow per month)	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40	\$ 8.40
BST (per cow per day)	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Feed Expense (per cow per month)	\$ 151.69	\$ 151.69	\$ 151.69	\$ 151.69	\$ 151.69	\$ 151.86	\$ 152.08	\$ 149.37	\$ 151.53
Milk Hauling/cwt	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
Livestock Trucking (per cow per month)	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98	\$ 3.98
Fuel Exp. (per cow per month)	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65	\$ 8.65
Herd Replacement Expense (per cow per mo)	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.70	\$ 110.68
Insurance (per cow per month)	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38	\$ 4.38
Labor Expense (per day)	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,523.33	\$ 11,151.61	\$ 11,375.09
Marketing Exp. (Milk lbs./Month)	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.250
Manure Expense (per cow per month)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Leased Equipment Expense (per cow per mo)	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00
Repairs & Maintenance	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25	\$ 9.25
Supplies	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10	\$ 9.10
Utilities	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31	\$ 15.31

Milk Income Per Cow	\$ 451.27	\$ 443.85	\$ 460.86	\$ 461.11	\$ 446.23	\$ 461.11	\$ 446.23	\$ 461.11	\$ 446.39
Operating Cost Per Cow	\$ 362.04	\$ 360.86	\$ 362.04	\$ 362.04	\$ 360.86	\$ 362.23	\$ 361.29	\$ 359.42	\$ 361.12
Operating Profit/Loss Per Cow	\$89.22	\$83.00	\$98.81	\$99.06	\$85.38	\$98.87	\$84.94	\$101.69	\$85.28
Operating Cost Per CWT	\$14.72	\$15.16	\$14.72	\$14.72	\$15.16	\$14.73	\$15.18	\$14.62	\$14.98
Operating Break Even Class III	\$ 11.47	\$ 11.91	\$ 11.47	\$ 11.47	\$ 11.91	\$ 11.48	\$ 11.93	\$ 11.37	\$ 11.73

**COSTS DO NOT INCLUDE OTHER EXPENSE/**  
**Feed Expense = Days\*(Feed Cost\*(1+Shrink))\***  
**Herd Replacement Expense = (Dry Cows from**  
**Milk Cow Sales to Other PR herds = Fresh Cow**  
**Cull Cow Sales = Lactating Cows\*Cull Rate\*Cc**

Vista - Income Statement - Summary	Vista - Income Statement - Summary								
	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total
<b>Total Income</b>	4,222,171	4,165,569	4,295,359	4,297,236	4,183,730	4,297,236	4,183,730	4,297,236	50,231,776
<b>Total Expenses</b>	3,541,306	3,532,232	3,541,306	3,541,306	3,532,232	3,542,742	3,535,562	3,521,268	42,421,512
<b>Operating Income</b>	680,865	633,337	754,054	755,930	651,498	754,494	648,167	775,968	7,810,264
<b>% of Income</b>	16.13%	15.20%	17.56%	17.59%	15.57%	17.56%	15.49%	18.06%	0
<b>Other Expense (Income)</b>	158,012	155,546	153,059	150,552	148,023	168,847	166,489	164,111	1,920,928
<b>Net Income Before Taxes</b>	522,853	477,791	600,994	605,379	503,475	585,647	481,678	611,857	5,889,336
<b>% of Income</b>	12.38%	11.47%	13.99%	14.09%	12.03%	13.63%	11.51%	14.24%	0
<b>EBITDA</b>	777,837	730,309	851,026	852,902	748,470	851,466	745,139	872,940	8,973,928
<b>% of Income</b>	18.42%	17.53%	19.81%	19.85%	17.89%	19.81%	17.81%	20.31%	0

Vista - Detailed P&L	Vista - Detailed P&L								
	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst
	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Total
<b>Income</b>									
Livestock Sales									
Bull Calf Sales	29,300	29,300	29,300	29,300	29,300	29,300	29,300	29,300	352,800
Heifer Calf Sales	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	289,000
Cull Cow Sales	120,740	120,740	120,740	120,740	120,740	120,740	120,740	120,740	1,449,503
Milk Cow Sales (to other PR herds)	604,500	604,500	604,500	604,500	604,500	604,500	604,500	604,500	7,254,000
Manure Income									-
Milk	3,443,630	3,387,028	3,516,819	3,518,696	3,405,189	3,518,696	3,405,189	3,518,696	40,886,473
Miscellaneous Income	-	-	-	-	-	-	-	-	-
Rental Income									-
<b>Total Income</b>	4,222,171	4,165,569	4,295,359	4,297,236	4,183,730	4,297,236	4,183,730	4,297,236	50,231,776



<b>Expenses</b>									
Administration Expense	75,547	75,547	75,547	75,547	75,547	75,547	75,547	75,547	906,781
Animal Health Expenses	95,428	92,350	95,428	95,428	92,350	95,428	92,350	95,428	1,123,850
Bedding Expense	21,061	20,381	21,061	21,061	20,381	21,061	20,381	21,061	248,029
Breeding Expenses	64,100	64,100	64,100	64,100	64,100	64,100	64,100	64,100	769,390
BST - Production Enhancer	70,968	68,679	70,968	70,968	68,679	70,968	68,679	70,968	835,789
VW leased Equipment	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	228,000
Depreciation - Equipment	17,293	17,293	17,293	17,293	17,293	17,293	17,293	17,293	207,516
Depreciation - Property & Improvements	79,679	79,679	79,679	79,679	79,679	79,679	79,679	79,679	956,148
Feed Expense	1,157,537	1,157,537	1,157,537	1,157,537	1,157,537	1,158,806	1,160,534	1,139,825	13,878,935
Milk Hauling	46,916	45,403	46,916	46,916	45,403	46,916	45,403	46,916	552,490
Livestock Trucking	30,363	30,363	30,363	30,363	30,363	30,363	30,363	30,363	364,440
Fuel	65,977	65,977	65,977	65,977	65,977	65,977	65,977	65,977	791,915
Herd Replacement Expense	844,781	844,781	844,781	844,781	844,781	844,781	844,781	844,781	10,137,375
Insurance Expense	33,410	33,410	33,410	33,410	33,410	33,410	33,410	33,410	401,012
VW Facility Lease	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	1,680,000
Labor Expense	345,700	345,700	345,700	345,700	345,700	345,700	345,700	345,700	4,148,400
Marketing Expenses	46,916	45,403	46,916	46,916	45,403	46,916	45,403	46,916	552,490
Nutrient Management Expenses (manure)	73,108	73,108	73,108	73,108	73,108	73,274	73,441	70,782	875,789
Rent Expense	56,617	56,617	56,617	56,617	56,617	56,617	56,617	56,617	679,558
Repairs & Maintenance	70,604	70,604	70,604	70,604	70,604	70,604	70,604	70,604	847,447
Supplies	69,471	69,471	69,471	69,471	69,471	69,471	69,471	69,471	833,854
Utilities	116,831	116,831	116,831	116,831	116,831	116,831	116,831	116,831	1,402,304
Uncategorized Expenses									
<b>Total Expenses</b>	<b>3,541,306</b>	<b>3,532,232</b>	<b>3,541,306</b>	<b>3,541,306</b>	<b>3,532,232</b>	<b>3,542,742</b>	<b>3,535,562</b>	<b>3,521,268</b>	<b>42,421,512</b>
<b>Operating Income</b>	<b>680,865</b>	<b>633,337</b>	<b>754,054</b>	<b>755,930</b>	<b>651,498</b>	<b>754,494</b>	<b>648,167</b>	<b>775,968</b>	<b>7,810,264</b>
Other Income/Expense									
Other Income									-
Dividends	-	-	-	-	-	-	-	-	-
Total Other Income	-	-	-	-	-	-	-	-	-
Other Expenses									
Taxes	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	75,600
Interest Expense									-
Corn silage feed loan	10,052	8,078	6,086	4,076	2,047	23,375	21,523	19,655	154,479
Haylage Feed Loan	-	-	-	-	-	-	-	-	-
New Cow Loan	19,533	19,110	18,685	18,257	17,826	17,393	16,957	16,519	226,595
New Real Estate Loan	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	1,440,000
CAT-236B	-	-	-	-	-	-	-	-	-
CAT-00855,00566	662	639	615	591	567	543	518	494	7,512
CAT-236B 05632	-	-	-	-	-	-	-	-	-
CAT-C15-976,C18-003	757	732	708	683	658	632	607	581	8,631
CAT 236B2 0HEN08679	-	-	-	-	-	-	-	-	-
CAT 236B2 0HEN08680	-	-	-	-	-	-	-	-	-
CAT 236B2 0HEN09214	-	-	-	-	-	-	-	-	-
CAT C15 #C5E01444, 1445	707	687	666	646	625	604	583	562	8,111
Total Other Expense	158,012	155,546	153,059	150,552	148,023	168,847	166,489	164,111	1,920,928
<b>Total Other Income/Expense</b>	<b>158,012</b>	<b>155,546</b>	<b>153,059</b>	<b>150,552</b>	<b>148,023</b>	<b>168,847</b>	<b>166,489</b>	<b>164,111</b>	<b>1,920,928</b>

<b>Net Income Before Taxes</b>	522,853	477,791	600,994	605,379	503,475	585,647	481,678	611,857	5,889,336
<b>EBITDA</b>	777,837	730,309	851,026	852,902	748,470	851,466	745,139	872,940	8,973,928

<b>Vista - Balance Sheet</b>		<b>Vista - Balance Sheet</b>							
		<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>	<b>Fcst</b>
		<b>May-13</b>	<b>Jun-13</b>	<b>Jul-13</b>	<b>Aug-13</b>	<b>Sep-13</b>	<b>Oct-13</b>	<b>Nov-13</b>	<b>Dec-13</b>
<b>ASSETS:</b>									
<b>Current assets</b>									
Cash		16,514,765	17,094,120	17,625,927	18,307,429	20,211,786	20,785,459	21,497,424	22,038,656
Accounts receivable, trade		852,429	795,827	925,618	927,495	813,988	927,495	813,988	927,495
Feed Inventory		(410,046)	(618,403)	(826,759)	(1,035,116)	56,527	(152,058)	(360,954)	(566,122)
Prepaid Expenses		420,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
<b>Total Current Assets</b>		17,377,148	17,691,545	18,144,785	18,619,807	21,502,301	21,980,896	22,370,459	22,820,028
<b>Fixed Assets</b>									
Equipment		545,563	528,270	510,977	493,684	476,391	459,098	441,805	424,512
Land, Property, & Improvements		14,750,272	14,670,593	14,590,914	14,511,235	14,431,556	14,351,877	14,272,198	14,192,519
<b>Total Fixed Assets</b>		15,295,835	15,198,863	15,101,891	15,004,919	14,907,947	14,810,975	14,714,003	14,617,031
<b>Other Assets</b>									
Capital Retains		384,000	396,000	408,000	420,000	432,000	444,000	456,000	468,000
Livestock Inventory		7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
Non Marketable Securities									
<b>Total Assets</b>		40,256,983	40,486,408	40,854,676	41,244,726	44,042,248	44,435,871	44,740,462	45,105,059
		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<b>LIABILITIES:</b>									
<b>Current Liabilities</b>									
Accounts payable		990,963	979,424	986,011	983,503	971,901	1,003,235	993,697	977,025
Accrued Manure Expense		2,435,261	2,508,369	2,581,477	2,654,584	2,727,692	2,800,967	2,874,408	2,945,190
Other Current Liabilities									
Payroll Liabilities		-	-	-	-	-	-	-	-
<b>Total Other Current Liabilities</b>		-	-	-	-	-	-	-	-
<b>Current Debt</b>									
Corn Silage Feed Loan		881,206	663,911	444,624	223,326	2,550,000	2,348,002	2,144,152	1,938,433
Haylage feed loan		-	-	-	-	-	-	-	-
<b>Total Current Debt</b>		881,206	663,911	444,624	223,326	2,550,000	2,348,002	2,144,152	1,938,433
<b>Total Current Liabilities</b>		4,307,431	4,151,704	4,012,111	3,861,414	6,249,593	6,152,204	6,012,257	5,860,649

<b>Long Term Liabilities</b>								
New Cow Loan	3,276,029	3,203,075	3,129,695	3,055,887	2,981,648	2,906,976	2,831,869	2,756,324
New Real Estate Bridge Loan	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
CAT 236B2	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT 236B2	25,375	25,375	25,375	25,375	25,375	25,375	25,375	25,375
CAT-00855,00566	107,403	103,400	99,373	95,323	91,248	87,149	83,025	78,877
CAT-236B 05632	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT-C15-976,C18-003	124,148	119,945	115,717	111,464	107,185	102,882	98,553	94,199
CAT 236B2 0HEN08679	21,115	19,659	18,204	16,748	15,293	13,837	12,382	10,926
CAT 236B2 0HEN08680	21,115	19,659	18,204	16,748	15,293	13,837	12,382	10,926
CAT 236B2 0HEN09214	24,685	23,260	21,834	20,409	18,984	17,558	16,133	14,708
CAT C15 #C5E01444, 1445	117,748	114,231	110,694	107,135	103,557	99,957	96,336	92,694
CAT 236B2	19,333	18,125	16,917	15,708	14,500	13,292	12,083	10,875
CAT 236B2	25,375	25,375	25,375	25,375	25,375	25,375	25,375	25,375
<b>Total Long Term Liabilities</b>	<b>19,800,993</b>	<b>19,708,354</b>	<b>19,615,220</b>	<b>19,550,589</b>	<b>19,456,457</b>	<b>19,361,822</b>	<b>19,324,681</b>	<b>19,229,030</b>
<b>Total Liabilities</b>	<b>24,108,423</b>	<b>23,860,057</b>	<b>23,627,331</b>	<b>23,412,003</b>	<b>25,706,050</b>	<b>25,514,026</b>	<b>25,336,938</b>	<b>25,089,679</b>
<b>SHAREHOLDER EQUITY</b>								
Partner Equity	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Retained Earnings	7,126,045	7,126,045	7,126,045	7,126,045	7,126,045	7,126,045	7,126,045	7,126,045
YTD net income (calendar)	2,022,515	2,500,306	3,101,300	3,706,679	4,210,154	4,795,801	5,277,479	5,889,336
<b>Total Shareholder Equity</b>	<b>16,148,560</b>	<b>16,626,350</b>	<b>17,227,345</b>	<b>17,832,723</b>	<b>18,336,199</b>	<b>18,921,846</b>	<b>19,403,524</b>	<b>20,015,381</b>
<b>Total Liabilities and S/H Equity</b>	<b>40,256,983</b>	<b>40,486,408</b>	<b>40,854,676</b>	<b>41,244,726</b>	<b>44,042,248</b>	<b>44,435,871</b>	<b>44,740,462</b>	<b>45,105,059</b>
Current Ratio	4.0	4.3	4.5	4.8	3.4	3.6	3.7	3.9
Debt to Equity	1.49	1.44	1.37	1.31	1.40	1.35	1.31	1.25

	Vista - Cash Flow Statement								Total
	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	Fcst	
	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	
<b>CASH FROM OPERATIONS</b>									
Net Income	522,853	477,791	600,994	605,379	503,475	585,647	481,678	611,857	5,889,336
Depreciation/ amortization	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	1,163,664

Changes in working capital									
Accounts receivable, trade	(111,085)	56,602	(129,791)	(1,877)	113,506	(113,506)	113,506	(113,506)	(41,269)
Notes Receivable	0	0	0	0	0	0	0	0	0
Feed Inventory	208,357	208,357	208,357	208,357	(1,091,643)	208,585	208,896	205,168	1,198,208
Other Current Assets	0	0	0	0	0	0	0	0	0
Capital Retains	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)	(144,000)
Livestock Inventory	0	0	0	0	0	0	0	0	0
Accounts payable	6,629	(11,539)	6,587	(2,508)	(11,603)	31,335	(9,538)	(16,672)	(64,066)
Accrued Manure Expense	73,108	73,108	73,108	73,108	73,108	73,274	73,441	70,782	875,789
Other Current Liabilities	0	0	0	0	0	0	0	0	0
Notes Payable	0	0	0	0	0	0	0	0	0
<b>Net cash provided by Operations</b>	<b>784,834</b>	<b>889,290</b>	<b>844,227</b>	<b>967,431</b>	<b>(328,185)</b>	<b>870,307</b>	<b>952,956</b>	<b>842,601</b>	<b>8,877,662</b>
<b>CAPITAL EXPENDITURES</b>									
Equipment	0	0	0	0	0	0	0	0	(29,000)
Prepaid Rent	0	0	0	0	0	0	0	0	0
Land, Property, & Improvements	0	0	0	0	0	0	0	0	0
<b>Net cash used in Capital Exp.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(29,000)</b>
<b>FINANCING/EQUITY ACTIVITIES</b>									
New Feed Loan	(215,322)	(217,296)	(219,287)	(221,298)	2,326,674	(201,998)	(203,850)	(205,719)	0
Cow Loan	(72,531)	(72,954)	(73,380)	(73,808)	(74,239)	(74,672)	(75,107)	(75,545)	(878,180)
New Real Estate Bridge Loan	0	0	0	0	0	0	0	0	0
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
CAT 236B2	0	0	0	0	0	0	0	0	0
CAT-00855,00566	(3,979)	(4,003)	(4,027)	(4,051)	(4,075)	(4,099)	(4,123)	(4,148)	(48,188)
CAT-236B 05632	(1,208)	(1,208)	(1,208)	27,792	(1,208)	(1,208)	(1,208)	(1,208)	14,500
CAT-C15-976,C18-003	(4,179)	(4,203)	(4,228)	(4,253)	(4,278)	(4,303)	(4,329)	(4,354)	(50,599)
CAT 236B2 0HEN08679	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	27,545	(1,455)	11,535
CAT 236B2 0HEN08680	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	(1,455)	27,545	(1,455)	11,535
CAT 236B2 0HEN09214	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	(1,425)	11,896
CAT C15 #C5E01444, 1445	(3,497)	(3,517)	(3,538)	(3,558)	(3,579)	(3,600)	(3,621)	(3,642)	(42,335)
CAT 236B2	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)	(14,500)
CAT 236B2	0	0	0	0	0	0	0	0	0
<b>Net cash from Financing</b>	<b>(307,469)</b>	<b>(309,934)</b>	<b>(312,421)</b>	<b>(285,929)</b>	<b>2,232,542</b>	<b>(296,633)</b>	<b>(240,991)</b>	<b>(301,369)</b>	<b>(998,837)</b>
<b>NET CASH FLOW</b>	<b>477,365</b>	<b>579,355</b>	<b>531,806</b>	<b>681,502</b>	<b>1,904,357</b>	<b>573,674</b>	<b>711,965</b>	<b>541,232</b>	<b>7,849,825</b>
<b>BEGINNING CASH</b>	<b>16,037,400</b>	<b>16,514,765</b>	<b>17,094,120</b>	<b>17,625,927</b>	<b>18,307,429</b>	<b>20,211,786</b>	<b>20,785,459</b>	<b>21,497,424</b>	
Cash expenses- nonpayroll	3,278,070	3,266,531	3,273,118	3,270,611	3,259,008	3,290,342	3,280,805	3,264,132	
Depreciation/ Amortization	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	1,163,664
Depreciation	96,972	96,972	96,972	96,972	96,972	96,972	96,972	96,972	1,163,664
Amortization	-	-	-	-	-	-	-	-	-

**EXHIBIT F TO DISCLOSURE STATEMENT**

**EVALUATION OF LIQUIDATION OF THE DEBTOR'S BANKRUPTCY ESTATE**

**See Attached**

<b>Veblen West Dairy Balance Sheet</b>							
<b>As of August 31, 2010</b>						<b>Liquidation Value</b>	
				<b>Aug 31, 10</b>		<b>Aug 31, 10</b>	
<b>ASSETS</b>							
<b>Current Assets</b>							
Checking/Savings							
AgStar Holding Account							
Checking/Savings						55,750.57	
<b>Total Checking/Savings</b>						<b>55,750.57</b>	
<b>Accounts Receivable</b>							
Accounts Receivable						1,158,974.64	<b>Milk check</b>
<b>Total Accounts Receivable</b>						<b>1,158,974.64</b>	
<b>Total Current Assets</b>						<b>1,214,725.21</b>	
<b>Fixed Assets</b>							
Land, Property, & Improvements						6,400,000.00	
<b>Total Fixed Assets</b>						<b>6,400,000.00</b>	
<b>Other Assets</b>							
Capital Retains							
Livestock Inventory						2,880,000.00	
<b>Total Other Assets</b>						<b>2,880,000.00</b>	
<b>TOTAL ASSETS</b>				<b>0.00</b>		<b>10,494,725.21</b>	
<b>LIABILITIES &amp; EQUITY</b>							
<b>Liabilities</b>							
<b>Current Liabilities</b>							
Accounts Payable							
Accounts Payable				6,116,352.75		1,214,725.21	
<b>Total Accounts Payable</b>				<b>6,116,352.75</b>		<b>1,214,725.21</b>	
<b>AgStar Liabilities</b>							
#1092742900 AgStar Feed Loan				448,316.14		0.00	
#1136694700 AgStar Cattle RLOC				4,218,674.94		2,880,000.00	
#1223532100 AgStar Loan				1,181,585.64		0.00	
#1136735700 AgStar Equip Loan				91,158.91		0.00	
#7700371700 AgStar Facility				12,222,364.98		6,400,000.00	
Rural Elec Economic Dev (REED)				849,169.14		0.00	
<b>Total Secured Liabilities</b>				<b>19,011,269.75</b>		<b>9,280,000.00</b>	
<b>Liabilities</b>				<b>25,127,622.50</b>		<b>10,494,725.21</b>	
<b>Total Liabilities</b>				<b>25,127,622.50</b>		<b>10,494,725.21</b>	
<b>Equity</b>							
<b>Secured Debt to AgStar and REED exceeds liquidated asset value. This leaves zero funds to pay unsecured debt</b>							