

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re Allen's Hatchery, Inc.
Debtor

Case No. 11-11765 (KJC)
Reporting Period: August 28, 2011 - October 1, 2011

MONTHLY OPERATING REPORT
File with court and submit copy to US Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Disbursements	MOR-1	X	X	
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a		X	
Schedule of Professional Fees Paid	MOR-1b	X	X	
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Statement of Cash Flows	MOR-4	X		
Status of Postpetition Taxes	MOR-5		X	
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-5		X	
Listing of aged accounts payable	MOR-5	X	X	
Accounts Receivable Reconciliation and Aging	MOR-6	X		
Debtor Questionnaire	MOR-6	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date


Signature of Authorized Individual*

10/28/11
Date

Brian G. Hildreth
Printed Name of Authorized Individual

Chief Financial Officer
Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

SCHEDULE OF DISBURSEMENTS^[1]

	Reporting Period		Cumulative Filing to
	8/28/11 - 10/1/11		Date
			6/9/11 - 10/1/11
Corn Train	2,275,481		11,512,500
Other Feed / Grain	1,474,828		15,577,333
Raw Material JCR	2,018,884		4,271,096
Grower Pay & Fuel	454,069		4,580,824
Other Live Costs	952,167		5,997,360
Salaries	2,650,022		17,283,354
Interest / Principal	17,165		444,376
Outside Freight	95,598		1,559,404
Broker Fees & Rebates	-		257,100
Processing	1,250,924		8,263,605
JCR Expenses	686,321		2,337,830
Corporate G&A	252,847		1,489,158
Restructuring / Bankruptcy	134,146		3,827,617
Total disbursements	\$ 12,262,453		\$ 77,401,557
Less: transfers to debtor in possession accounts	-		-
Plus: estate disbursements made by outside sources	-		-
Total disbursements for calculating US Trustee quarterly fees	\$ 12,262,453		\$ 77,401,557

[1] Represents actual cash disbursements as tracked under the DIP agreement.

Note: The financial statements and schedules included herein are unaudited, subject to change and may not be in conformity with U.S. GAAP. Additional adjustments may be made and the statements and schedules will not be finalized until they are reviewed by the Debtor's independent registered accounting firm.

DISBURSEMENTS BY ENTITY FOR CALCULATING US TRUSTEE FEES

	Total Disbursements for the Reporting Period	Less: Transfers to Debtor-in-Possession Accounts	Plus: Estate Disbursements made by outside services	Total Disbursements for Calculating US Trustee Quarterly Fees	US Trustee Fee
Allen Family Foods, Inc.	\$ 3,672,449	\$ -	\$ -	\$ 3,672,449	\$ 10,400
Allen's Hatchery, Inc.	\$ 5,690,274	-	-	5,690,274	13,000
JCR Enterprises, Inc.	\$ 2,899,730	-	-	2,899,730	9,750
Total	\$ 12,262,453	\$ -	\$ -	\$ 12,262,453	\$ 33,150

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BANK RECONCILIATION CERTIFICATION
Continuation Sheet for **MOR-1**

The undersigned verifies that, to the best of my knowledge, all of the Debtors' October 1, 2011 bank balances will be reconciled in an accurate and timely manner in the ordinary course of business on or about October 31, 2011.

Allen Family Foods, Inc., for itself and its
affiliated debtors; Debtors-in-Possession

By: 

Brian G. Hildreth
Chief Financial Officer

Date: October 31, 2011

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

This schedule is to include all retained professional payments from case inception to current month.

Payee	Period Covered	Amount Approved	Payor	Check		Amount Paid		Year-To-Date	
				Number	Date	Fees	Expenses	Fees	Expenses
Alvarez & Marsal	5/28/11 - 6/3/11	\$ 21,757	MAFC	N/A	6/14/2011	\$ 20,390	\$ 1,367	\$ 20,390	\$ 1,367
Alvarez & Marsal	6/4/11 - 6/8/11	\$ 28,540	MAFC	N/A	6/21/2011	\$ 28,540	\$ -	\$ 28,540	\$ -
Alvarez & Marsal	6/9/11 - 6/30/11	\$ 71,041	Nexsen Escrow Acct	N/A	8/1/2011	\$ 64,920	\$ 6,121	\$ 64,920	\$ 6,121
Alvarez & Marsal	7/1/11 - 7/31/11	\$ 97,113	Nexsen Escrow Acct	N/A	8/30/2011	\$ 88,479	\$ 8,634	\$ 88,479	\$ 8,634
Alvarez & Marsal	8/1/11 - 8/31/11	\$ 43,975	Nexsen Escrow Acct	N/A	9/26/2011	\$ 42,560	\$ 1,415	\$ 42,560	\$ 1,415
FTI Consulting, Inc.	6/9/11 - 7/22/11	\$ 243,076	Nexsen Escrow Acct	N/A	8/4/2011	\$ 226,528	\$ 16,548	\$ 226,528	\$ 16,548
FTI Consulting, Inc.	7/23/11 - 8/5/11	\$ 71,291	Allen Family Foods, Inc.	100489	8/11/2011	\$ 57,143	\$ 14,148	\$ 57,143	\$ 14,148
FTI Consulting, Inc.	8/6/11 - 8/19/11	\$ 38,908	Allen Family Foods, Inc.	100858	8/25/2011	\$ 36,053	\$ 2,856	\$ 36,053	\$ 2,856
FTI Consulting, Inc.	8/20/11 - 8/26/11	\$ 23,092	Allen Family Foods, Inc.	101152	9/1/2011	\$ 20,615	\$ 2,477	\$ 20,615	\$ 2,477
FTI Consulting, Inc.	8/27/11 - 9/2/11	\$ 32,197	Allen Family Foods, Inc.	101349	9/19/2011	\$ 29,735	\$ 2,462	\$ 29,735	\$ 2,462
FTI Consulting, Inc.	9/3/11 - 9/6/11	\$ 7,238	Allen Family Foods, Inc.	N/A	9/22/2011	\$ 5,938	\$ 1,301	\$ 5,938	\$ 1,301
Law Firm of Joe Bodnar	6/9/11 - 6/30/11	\$ 14,035	Nexsen Escrow Acct	N/A	8/1/2011	\$ 14,035	\$ -	\$ 14,035	\$ -
Law Firm of Joe Bodnar	7/1/11 - 7/31/11	\$ 17,010	Nexsen Escrow Acct	N/A	8/22/2011	\$ 17,010	\$ -	\$ 17,010	\$ -
Law Firm of Joe Bodnar	8/1/11 - 8/31/11	\$ 8,645	Nexsen Escrow Acct	N/A	9/26/2011	\$ 8,645	\$ -	\$ 8,645	\$ -
Nexsen Pruet	6/9/11 - 6/30/11	\$ 120,798	Nexsen Escrow Acct	N/A	8/1/2011	\$ 118,024	\$ 2,774	\$ 120,798	\$ -
Nexsen Pruet	7/1/11 - 7/31/11	\$ 55,172	Nexsen Escrow Acct	N/A	8/22/2011	\$ 52,342	\$ 2,830	\$ 52,342	\$ 2,830
Nexsen Pruet	8/1/11 - 8/31/11	\$ 39,143	Nexsen Escrow Acct	N/A	9/26/2011	\$ 36,645	\$ 2,498	\$ 36,645	\$ 2,498
Young Conaway	6/9/11 - 6/30/11	\$ 119,885	Nexsen Escrow Acct	N/A	9/12/2011	\$ 110,213	\$ 9,672	\$ 110,213	\$ 9,672

STATEMENT OF OPERATIONS

	Reporting Period		Cumulative Filing to Date	
	8/28/11 - 10/1/11		6/9/11 - 10/1/11	
Net Sales	\$	579,650	\$	25,093,211
Cost of Goods Sold		(4,678,014)		(42,474,492)
Gross Profit		(4,098,364)		(17,381,281)
Selling, General and Administrative Expenses		(1,505,711)		(7,162,596)
Depreciation Expense		-		(475,216)
Other Interest Income (Expense), Net		(3,667)		(609,636)
Other Income (Expense), Net ¹		(32,433,956)		(32,421,241)
Restructuring Expense		(2,521,048)		(3,101,670)
Net Comprehensive Income (Loss)	\$	(40,562,746)	\$	(61,151,640)

Note: The financial statements and schedules included herein are unaudited, subject to change and may not be in conformity with U.S. GAAP. Additional adjustments may be made and the statements and schedules will not be finalized until they are reviewed by the Debtor's independent registered accounting firm.

[1] Allen Family Foods, Inc. purchased live broilers to be processed at its facilities from Allen's Hatchery, Inc. (a related party) in the ordinary course of business. Normal operating procedures allowed for the inter-company accounts receivable to accumulate, with any payments between the two companies being used to pay down an inter-company note receivable prior to being used to pay down the accounts receivable. The accounts receivable was generally paid down at year-end, using a combination of outside financing and establishment of an inter-company note receivable. Due to the bankruptcy petition filed by both companies (and JCR Enterprises, Inc.) on June 9, 2011 outside financing, and the mechanism to pay down the inter-company accounts receivable, was no longer available. Because of this, and the resulting sale of company assets to Harim USA, Inc., Allen's Hatchery elected to forgive the debt owed by Allen Family Foods, resulting in a write-off of approximately \$55MM that was taken as an extraordinary expense on Allen Hatchery's trial balance. Conversely, Allen Family Foods, Inc. recorded as income the debt forgiveness in the same amount to reflect this transaction.

BALANCE SHEET

	Book Value at End of Current Reporting Period
	10/1/2011
Current Assets:	
Cash and Cash Equivalents	\$ 3,298,394
Restricted Cash	46,115,764
Accounts Receivable (Net)	146,831
Accounts Receivable Related Party	-
Inventories	-
Prepaid Expenses and Other	6,734,128
Total Current Assets	56,295,117
Long Term Assets:	
Property and Equipment, Net	-
Goodwill	-
Intangible Assets, Net	-
Notes Receivables - Related Party	-
Other Assets	344,731
Current Income Taxes Payable (moved to assets per DT/still in Liab in Detail)	-
Deferred Income Taxes (moved to assets per DT/Still in Liab in Detail)	-
Total Long Term Assets	344,731
Total Assets	\$ 56,639,848
Current Liabilities:	
Trade Accounts Payable	\$ 3,649
Trade Accounts Payable - Subject to Compromise ^[1]	3,673,597
Accrued Expenses and Other Liabilities	26,290
Working Capital Line and DIP Financing	61,914,623
Current Portion of Long Term Debt	23,200,000
Notes Payable - Related Party	-
Total Current Liabilities	88,818,159
Long Term Liabilities:	
Long-Term Debt Less Current Portion	-
Related Party Long-Term Debt Less Current Portion	-
Capital Lease Obligation Less Current Portion	-
Other Liabilities - Subject to Compromise	-
Total Long Term Liabilities	-
Total Liabilities	88,818,159
Shareholders' Equity:	
Common Stock	137,180
Treasury Stock	(12,238,107)
Retained Earnings	(20,077,384)
Total Shareholders' Equity	(32,178,311)
Total Liabilities and Shareholder's Equity	\$ 56,639,848

[1] Represents the estimated unpaid prepetition accounts payable as of October 1, 2011. Per the orders dated June 9, 2011, the Debtors received authority to make payments to trade creditors and taxing authorities in the ordinary course subject to established caps.

Note: The financial statements and schedules included herein are unaudited, subject to change and may not be in conformity with U.S. GAAP. Additional adjustments may be made and the statements and schedules will not be finalized until they are reviewed by the Debtor's independent registered accounting firm.

STATEMENT OF CASH FLOWS^[1]

	Reporting Period		Cumulative Filing to Date	
	8/28/11 - 10/1/11		6/9/11 - 10/1/11	
Cash flows from operating activities:				
Net income (loss)	\$	(40,562,746)	\$	(61,151,640)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation expense		-		475,216
Gain on sale of equipment		20,194,518		20,194,518
Restructuring inventory market adjustment		-		-
Change in accounts receivable		55,227,183		31,058,224
Change in inventories		15,016,693		26,503,324
Change in other assets		205,738		163,766
Change in prepaid expenses and other		2,520,014		2,550,510
Change in accounts payable		(700,492)		(2,419,739)
Change in accrued expenses & other liabilities		(1,457,484)		399,908
Change in billings in excess of costs		-		-
Change in other liabilities		(809,414)		(791,414)
Net cash provided by operating activities		49,634,010		16,982,673
Cash flows from investing activities:				
Change in Related Party Note Receivable		170,350		21,520,350
Proceeds from sale of equipment ^[2]		11,000,000		11,000,000
Additions to property and equipment		-		-
Net cash provided by investing activities		11,170,350		32,520,350
Cash flows from financing activities:				
Borrowings/(Payments) on DIP Financing		(4,825,785)		2,275,481
Borrowings/(Payments) on Related Party Debt		(7,000,000)		(1,700,000)
Net cash provided by financing activities		(11,825,785)		575,481
Net increase in cash	\$	48,978,575	\$	50,078,504
Cash and cash equivalents at the beginning of the period		435,583		(664,376)
Net cash flow		48,978,575		50,078,504
Cash and cash equivalents at the end of the period	\$	49,414,158	\$	49,414,128

[1] The Debtors have included their indirect Statement of Cash Flows.

Note: The financial statements and schedules included herein are unaudited, subject to change and may not be in conformity with U.S. GAAP. Additional adjustments may be made and the statements and schedules will not be finalized until they are reviewed by the Debtor's independent registered accounting firm.


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Debtor

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POSTPETITION TAXES CERTIFICATION

The undersigned verifies that, to the best of my knowledge, all post-petition tax obligations, including but not limited to, payroll, real property, income, franchise, and other taxes have been paid to the proper taxing authority when due.

Allen Family Foods, Inc., for itself and its
affiliated debtors; Debtors-in-Possession

By: 

Brian G. Hildreth
Chief Financial Officer

Date: October 31, 2011

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ACCOUNTS PAYABLE AGING AS OF REPORTING PERIOD-END

	Amount
	10/1/2011
Current (due within next 30 days)	\$ 923
Past Due 1-30 Days	118,375
Past Due 31-60 Days	70,676
Past Due 61-90 Days	340,356
Past Due 91+ Days	3,146,916
Total Accounts Payable	\$ 3,677,246

Note: Per the orders dated June 9, 2011, the Debtors received authority to make payments on pre-petition debts to trade creditors in the ordinary course subject to established caps. The Debtors have therefore not broken out pre-petition and post-petition accounts payable.

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ACCOUNTS RECEIVABLE AGING AS OF REPORTING PERIOD-END

	Amount
	10/1/2011
Current (due within next 30 days)	\$ -
Past Due 1-30 Days	140,387
Past Due 31-60 Days	6,444
Past Due 61-90 Days	-
Past Due 90+ Days	-
Total Accounts Receivable	146,831
Allowance for Doubtful Accounts	-
Accounts Receivable (Net)	\$ 146,831

Note: Per the Debtors' records, uncollectable accounts are not netted against agings.

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DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.	xxx	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		xxx
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	xxx	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	xxx	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3.	xxx	

1. Fixed assets and inventories were sold to Harim USA via a 363 sale on September 6, 2011

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SCHEDULE OF NEW BANK ACCOUNTS

Bank	Account #	Name	Date Opened	Description
Bank of America	00070762702	Nexsen Pruet LLC	June 9, 2011	Allen's Family Foods, Inc. et al. Trust for payment of post petition utilities, professional fees, etc.
Wachovia Bank	2079900601318	Allen Family Foods, Inc. - Debtor in Possession	July 6, 2011	Operating account - incoming/outgoing checks
Wachovia Bank	2079900598065	Allen's Hatchery, Inc. - Debtor in Possession	July 6, 2011	Operating account - incoming/outgoing checks
Wachovia Bank	2079900594522	JCR Enterprises, Inc. - Debtor in Possession	July 6, 2011	Operating account - incoming/outgoing checks
CoBank	00071972	DIP - Allen Family Foods, Inc.	July 6, 2011	Operating account - outgoing wires
CoBank	00071988	DIP - Allen's Hatchery, Inc.	July 6, 2011	Operating account - outgoing wires
CoBank	00071995	DIP - JCR Enterprises, Inc.	July 6, 2011	Operating account - outgoing wires