

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

In re:) Chapter 11
)
BOWMAN DAIRY FARMS LLC,) Case No. 17-06475-JMC-11
)
Debtor.)

BOWMAN DAIRY FARMS LLC'S DISCLOSURE STATEMENT

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PROPOSED DISCLOSURE

ON _____, 2018 THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF INDIANA, INDIANAPOLIS DIVISION (THE "BANKRUPTCY COURT"), APPROVED THIS DISCLOSURE STATEMENT (THIS "DISCLOSURE STATEMENT"). HOWEVER, THE BANKRUPTCY COURT'S APPROVAL DOES NOT CONSTITUTE A DETERMINATION OF THE MERITS OF THE ACCOMPANYING CHAPTER 11 PLAN (THE "PLAN"). THE BANKRUPTCY COURT HAS DETERMINED THAT THIS DISCLOSURE STATEMENT CONTAINS ADEQUATE INFORMATION TO ENABLE CREDITORS OF BOWMAN DAIRY FARMS LLC, AS DEBTOR AND DEBTOR-IN-POSSESSION (THE "DEBTOR"), TO MAKE AN INFORMED JUDGMENT IN EXERCISING RIGHTS TO VOTE UPON THE PLAN.

ONLY THIS DISCLOSURE STATEMENT IS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES FOR THE ACCEPTANCE OR REJECTION OF THE PLAN. NO REPRESENTATION CONCERNING THE DEBTOR, ITS BUSINESS OPERATIONS, OR THE VALUES OF ITS ASSETS IS AUTHORIZED BY THE BANKRUPTCY COURT, EXCEPT AS EXPLICITLY SET FORTH HEREIN OR IN ANY OTHER DOCUMENT APPROVED FOR DISTRIBUTION BY THE BANKRUPTCY COURT.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSIONER OF THE STATE OF INDIANA OR ANY OTHER STATE OR COMMONWEALTH. THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED HEREIN EXCEPT AS EXPRESSLY INDICATED HEREIN. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE DEBTOR FROM NUMEROUS SOURCES BELIEVED TO BE ACCURATE TO THE BEST OF THE DEBTOR'S KNOWLEDGE, INFORMATION, AND BELIEF.

THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. ALL CREDITORS AND OTHER INTERESTED PARTIES ARE ENCOURAGED TO REVIEW THE FULL TEXT OF THE PLAN AND TO READ CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING ALL EXHIBITS, BEFORE DECIDING TO VOTE TO ACCEPT OR REJECT THE PLAN.

I. INTRODUCTION

Pursuant to section 1125 of the Bankruptcy Code, the Debtor provides this Disclosure Statement to known creditors to disclose information deemed by the Debtor to be material, important, and necessary for creditors to arrive at a reasonably informed decision in exercising their rights to vote for acceptance of the Plan. A copy of the Plan accompanies this Disclosure Statement. All capitalized terms used herein that are defined in Article I of the Plan shall have the meanings ascribed by the Plan unless the context in which such terms are used herein clearly dictate a different meaning.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRATED PACKAGE AND BOTH SHOULD BE CONSIDERED TO PROVIDE ADEQUATE INFORMATION.

THE BANKRUPTCY COURT HAS SCHEDULED A HEARING ON ACCEPTANCE OF THE PLAN FOR _____, 2018 AT _____ (PREVAILING EASTERN TIME) IN ROOM 325, U.S. COURTHOUSE, 46 EAST OHIO STREET, INDIANAPOLIS, INDIANA 46204. CREDITORS MAY VOTE ON THE PLAN BY FILLING OUT AND MAILING THE ACCOMPANYING BALLOT AT A TIME AND IN A MANNER TO CAUSE THE COMPLETED BALLOT TO BE ACTUALLY RECEIVED BY COUNSEL FOR THE DEBTOR ON OR BEFORE _____, 2018.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO ITS FUTURE BUSINESS OPERATIONS OR VALUE OF PROPERTY) ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND CIRCUMSTANCES REGARDING ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO THE DEBTOR'S COUNSEL, WHO WILL INFORM THE BANKRUPTCY COURT.

II. THE DEBTOR AND EVENTS LEADING TO THE CHAPTER 11 FILING

The Debtor is a family-owned, member managed Indiana limited liability company that operates a grain and dairy farm located at 2270 North County Road 900 East, Hagerstown, Indiana 47346. The member units in the Debtor are owned 50% by Trent Bowman and 50% by Bennie Bowman. The Debtor's milk is sold to Dean Foods for processing and Dean Foods pays the Debtor twice monthly for milk purchases and for hauling services.

The Debtor owns approximately 1400 acres, two commercial dairying operations, and cash leases approximately 2,000 acres. Pursuant to an appraisal in early 2017 procured by the Debtor's senior secured lender for lending purposes, the appraised value of the Debtor's owned real property and improvements is \$14,100,000 (this amount includes property that is not the Debtor's property but has been pledged as collateral to Beacon Credit Union).

The Debtor also owns and leases equipment and machinery for its operations. The owned equipment and machinery has an estimated fair market value of \$3 million with an estimated \$1.3 million in purchase money loans against some of the owned equipment. The Debtor leases three skid steers from CNH Industrial Capital America, LLC ("CNH") and a tractor from DLL Finance, LLC f/k/a Agricredit Acceptance, LLC ("DLL").

The Debtor's senior secured lender is Beacon Credit Union ("Beacon") with an estimated total outstanding debt of \$11,982,060 as of the Petition Date. Beacon has filed mortgages against the Debtor's real property and improvements and secured financing statements against substantially all the assets of the Debtor.

The Debtor has a loan from The St. Henry Bank (“St. Henry”). St. Henry filed a claim asserting it is owed \$951,933.71 as of the Petition Date. St. Henry filed a secured financing statement asserting a lien in all equipment, inventory, and accounts receivable then existing and “hereafter acquired” of the Debtor for repayment and has recorded mortgages against Debtor’s real property.

In June 2017, Harvest Land Co-op, Inc. (“Harvest Land”) filed a financing statement against substantially all of the Debtor’s assets to secure repayment of a prior year’s outstanding debt. In addition, Harvest Land filed mortgages against the Debtor’s real property for the same purpose. As of the Petition Date, the amount owed to Harvest Land was approximately \$560,000. Harvest Land filed a claim in the amount of \$568,687.03.

The Debtor’s primary source of income is from selling and hauling milk produced by its two dairies to Dean Foods. The Debtor has been selling its milk to Dean Foods for almost 18 years and on the Petition Date it had an executory contract to sell its milk to Dean’s. The Debtor hauls its own milk to the Dean Foods’ processing plant in Louisville, Kentucky using its own trucks and trailers. The Debtor does not haul milk for other farms. The Debtor has a small cattle feeding operation, where it primarily feeds out some of the bull calves from the dairies. Most of the Debtor’s cattle feeding business closed in early 2017. The Debtor also grows forage and silage feed for use on the Debtor’s farm (with some sales of any excess) and soybeans for contract sales. Prior to the filing, the Debtor’s annual revenues ranged from \$5.5 to \$6.5 million depending on milk, cattle and grain prices.

In late 2015 and continuing through the filing, milk prices began a precipitous decline causing the cash and equity position of the Debtor to drop. In addition, the Debtor's cattle feeding operation (in which it had invested capital in 2013 and 2014 to purchase and operate) lost its largest customer when there was a consumer market issue over using "dairy" cattle as beef cattle. While soybean prices remained somewhat steady, other grain prices declined and between the low milk prices and the loss in the cattle feeding operation, the Dairy began to experience cash flow problems that caused it to fall behind in payments. The Dairy's senior lender worked with the Dairy to provide some additional lending in early summer 2017, however, the amount was insufficient to allow the planting of the 2017 crops and ease the payment burden. The Dairy needed time to reassess its business needs, identify excess equipment and property and have the space to determine ways to reduce its debt.

The Debtor commenced this Chapter 11 Case on August 27, 2017 (the "Petition Date") to allow it time to restructure and reorganize its operational debts and business and continue as a valuable contributor to the local Indiana economy. Milk prices are beginning to recover, and though the trend is slow, it is going in the right direction. After examining all of its options, the Debtor is proposing a business plan that pays down its overall debt by the sale of land and equipment that is no longer needed for the revised operations or can be used in a lease/back arrangement for less overall cost. In addition, the Debtor is repurposing its cattle feeding facility and taking advantage of any room in the commercial dairies to begin feeding heifer calves for other dairying operations. This operation takes fewer employees and minimizes any waste of the forages and silage grown by the Debtor. The business plan allows for the payment of a reduced secured debt load and over time payment of the unsecured debt. The Debtor has no unpaid tax debt and is disputing the claim of the IRS related to its assertion that the Debtor did not file

certain Social Security Administration reports.

III. THE CHAPTER 11 CASE

A. **Entry of “First Day” Orders** On August 29, 2017, the Debtor filed two motions seeking entry of "First Day" orders intended to facilitate the Debtor's transition into chapter 11 by approving certain regular business conduct for which approval of the Bankruptcy Court is required. The first day hearings were held on August 30, 2017, and the final hearing was held on September 11, 2017.

The first day orders entered by the Bankruptcy Court consist of the following:

- authorization for payment of employees' prepetition wages and continued payment of employee obligations, payroll taxes, and insurance in the ordinary course of business (Docket No. 14); and
- authorization to use the Debtor's cash and cash equivalents (the "Cash Collateral"), in which Beacon and St. Henry assert prepetition perfected security interests, to pay expenses arising in the ordinary course of the Debtor's business (Docket No. 37) (the "Cash Collateral Order").

Pursuant to the Cash Collateral Order and negotiations between the Debtor and Beacon and St. Henry, the Debtor agreed for Beacon to retain the sum of \$20,698 received from the Debtor postpetition as adequate protection, which amount shall be applied to the Debtor's loans with Beacon, and the Debtor granted replacement liens to Beacon and St. Henry in the Debtor's postpetition property of the same type and character in which Beacon and St. Henry held liens prepetition to the extent that the Debtor's prepetition collateral subject to the Beacon and St. Henry liens as of the commencement of the case is consumed or otherwise disposed of.

B. **Additional Material Motions or Stipulations Filed in the Chapter 11 Case** *Motion for Order Directing Debtor to Assume or Reject Lease* filed by DLL

On October 31, 2017, DLL filed its *Motion for Order Directing Debtor to Assume or Reject Lease* (Docket No. 55) (the “DLL Motion”) seeking entry of an order requiring the Debtor to assume or reject a tractor lease with DLL, provide DLL with adequate protection, and timely perform the Debtor’s obligations under the lease. The Debtor filed its objection to the DLL Motion (Docket No. 84) on November 28, 2017, asserting that in accordance with the Bankruptcy Code and in the absence of an order to the contrary, the Debtor may assume or reject the DLL lease at any time up to the date of confirmation of a plan, and that the Debtor requires additional time to evaluate and make an informed decision whether to assume or reject the lease with DLL. The Debtor and DLL negotiated a resolution to the DLL Motion and the Debtor’s objection, whereby the Debtor agreed to continue monthly lease payments during the Chapter 11 Case and to maintain insurance on the DLL tractor.

2. *Motion For Order Directing Debtor to Assume or Reject Lease* filed by CNH

On November 8, 2017, CNH filed its *Motion for Order Directing Debtor to Assume or Reject Lease* (Docket No. 62) (the “CNH Motion”) seeking entry of an order requiring the Debtor to assume or reject a tractor lease and two skid steer leases with CNH and provide CNH with adequate protection. The Debtor filed its objection to the CNH Motion (Docket No. 85) on November 29, 2017, asserting that in accordance with the Bankruptcy Code and in the absence of an order to the contrary, the Debtor may assume or reject the CNH leases at any time up to the date of confirmation of a plan, and the Debtor requires additional time to evaluate and make an informed decision whether to assume or reject the skid steer leases with CNH. The Debtor determined the tractor lease not to be necessary for reorganization. After negotiating a resolution to the CNH Motion and the Debtor’s objection, the Debtor and CNH filed their *Agreed Entry*

Resolving Motion of CNH and Objection of Debtor (Docket No. 106) (the “CNH Agreed Entry”) on December 21, 2017. The CNH Agreed Entry provided that the tractor lease was rejected, the Debtor would file its determination with respect to the skid steer leases at a later date, and the Debtor shall continue to pay the lease payments on the skid steer leases. The Bankruptcy Court approved the CNH Agreed Entry (Docket No. 107) on December 21, 2017.

3. *Debtor’s Motion to Sell Real Estate Located in New Castle, Indiana*

On November 9, 2017, the Debtor filed the *Debtor’s Motion to Sell Real Estate Located in New Castle, Indiana* (Docket No. 69) (the “Sale Motion”), requesting authorization for the private sale to Heather M. Ferguson of the real estate located at 659 S. Wilbur Wright Rd., in Liberty Township, Henry County, New Castle, Indiana 47362-8809 (the “New Castle Real Estate”), which was encumbered by a recorded mortgage in favor of Beacon. A hearing was held by the Bankruptcy Court on December 4, 2017. Beacon, St. Henry, and Harvest Land consented to the sale of the New Castle Real Estate. On December 14, 2017, the Bankruptcy Court granted the Sale Motion (Docket No. 101). The New Castle Real Estate subsequently was sold and the proceeds were applied to closing costs, commissions, and in partial satisfaction of the Debtor’s loan with Beacon.

4. *Motion for Relief from Stay and Notice of Objection Deadline* filed by the IRS

On December 21, 2017, the United States of America, Internal Revenue Service (the “IRS”) filed its *Motion for Relief from Stay and Notice of Objection Deadline* (Docket No. 110) (the “IRS Motion”), seeking entry of an order lifting the automatic stay to allow prepetition payments for crop insurance and other matters, approximately in the amount of \$110,421, due to the Debtor from the United States Department of Agriculture’s (“USDA”) Commodity Credit Corporation for Agricultural Risk Coverage-County Option to be applied to alleged prepetition federal tax liabilities, in the amount of \$139,991.60. On January 4, 2018, the Debtor filed the

Debtor's Objection to Motion for Relief from Stay Filed by the IRS (Docket No. 117), objecting to lifting the stay because the Debtor disputes that it owes the debt asserted by the IRS. The Debtor also filed an objection to the claim filed by the IRS on the grounds that no claim is owed. A hearing on the IRS Motion and the Debtor's objections is scheduled for March 28, 2018.

5. *Motion for Relief from Automatic Stay and Notice of Objection Deadline* filed by Ashley Petty

On January 4, 2018, Ashley Petty filed her *Motion for Relief from Automatic Stay and Notice of Objection Deadline* (Docket No. 115) (the "Petty Motion"), seeking entry of an order lifting the automatic stay to permit Ms. Petty to proceed with her personal injury lawsuit pending in the Hancock Superior Court, Cause No. 30D01-1612-CT-01829. The Debtor filed *Debtor's Limited Objection to Motion for Relief from Automatic Stay Filed by Ashley Petty* (Docket No. 121) on January 18, 2018, objecting to lifting the stay only to the extent of incurring cost to the Debtor's estate as the costs of defense or resulting in a claim for applicable deductibles or damages. The Debtor and Ms. Petty filed an *Agreed Entry Resolving Motion for Relief from Automatic Stay Filed by Ashley Petty* (Docket No. 126) (the "Petty Agreed Entry") on January 29, 2018, agreeing to lift the stay for Ms. Petty to proceed with her personal injury lawsuit and Ms. Petty to refrain from enforcing and/or collecting on any judgment, including punitive damages, or litigation costs levied against the Debtor that are not covered by the applicable insurance policies issued by Travelers Insurance Company. The Bankruptcy Court approved the *Petty Agreed Entry* (Docket No. 128) on January 29, 2018.

C. **Retention of the Debtor's Professionals**

The Debtor filed a retention application for Faegre Baker Daniels LLP to represent and assist it in the administration of the Chapter 11 Case. The Court granted this application to retain Faegre Baker Daniels LLP as counsel for the Debtor on November 17, 2017 (Docket No. 77).

The Debtor also filed a retention application for JensenBrewer, LLC as special conflicts counsel for the Debtor in the Chapter 11 Case to represent the Debtor only in matters involving Bunge North America, DLL, Cargill Animal Nutrition, Cargill, Inc., and Elanco Animal Health, as well as their respective affiliates and subsidiary entities. The Court granted this application to retain JensenBrewer, LLC as special conflicts counsel on December 7, 2017 (Docket No. 94).

D. **Claims**

1. *Establishment of the Claims Bar Date*

On October 31, 2017, the Bankruptcy Court entered an order (Docket No. 53) (the "Bar Date Order") establishing (i) November 30, 2017, as deadline for filing proof of claims and equity interests against the Debtor that arose prior to the Petition Date, including claims arising from the rejection of an executory contract or expired lease and (ii) February 23, 2018, as the Governmental Bar Date. In addition, the Bar Date Order provided that, any creditor that was required to file, but failed to file a proof of claim for its Claim on or before the Claims Bar Date, would be barred from asserting its claim against the Debtor and would not be permitted to vote on any plan of reorganization.

On October 31, 2017, the Bankruptcy Court also entered an order establishing November 30, 2017, as the §503(b)(9) claims bar date (Docket No. 54) (the "§503(b)(9) Bar Date Order"). In addition, the §503(b)(9) Bar Date Order provided that, any creditor that was required to file, but failed to file a proof of claim for its Claim on or before the Claims Bar Date, would be barred from asserting its claim against the Debtor and would not be permitted to vote on any plan of reorganization.

In addition to the claims scheduled by the Debtor, fifty proofs of claims were filed. The Debtor believes there are no valid tax claims owed, the secured claims are being treated in the

Plan, and the total of unsecured claims is an estimated \$850,000. The Debtor has not completed its claim analysis and reserves the right to object to claims as allowed in the Plan.

2. Filing of Schedules and Statements

On August 30, 2017, and September 11, 2017, the Debtor timely filed its Schedules and Statements with the Bankruptcy Court (Docket Nos. 15, 32, 33).

3. Meeting of Creditors

The U.S. Trustee conducted a meeting of the Debtor's creditors in accordance with section 341 of the Bankruptcy Code (the "341 Meeting") on October 3, 2017 (Docket No. 19).

E. Exclusive Period for Filing a Plan and Soliciting Votes

As extended by order of the Bankruptcy Court (Docket No. 104), the Debtor has the exclusive right to file a plan through February 24, 2018, and solicit acceptances of such plan through April 24, 2018. This Disclosure Statement and accompanying Plan were timely filed within the exclusivity period.

F. **Causes of Action**

The Debtor is investigating Causes of Action that the Debtor or the Estate may hold against any Entity, including all Causes of Action against any Entity on account of indebtedness and any other Causes of Action in favor of the Reorganized Debtor or its Estate. The work is ongoing, and the Debtor and its Estate hereby reserve any and all rights that it may have to file Causes of Actions against any Entity, whether prior to or after the Effective Date. Unless specifically released in the Plan, all Causes of Action are expressly reserved and preserved under the Plan regardless of whether the existence of any particular Cause of Action is referenced or disclosed herein. The Debtor is currently analyzing avoidance actions including preference claims that it may bring under the Bankruptcy Code. The Debtor has also not completed analyzing all the filed proofs of claim and the fact that an objection to a claim has not been filed, does not mean that the Debtor may not in fact file an objection to a claim.

G. **Debtor's Performance During Chapter 11**

Since the Petition Date, the Debtor has stabilized its business, remained current with its vendors, and been in negotiations with its lenders and lessors, and has attempted to resolve the matter with the IRS.

The Debtor has paid its debts timely during the case and the proposed reorganization plan will cure any amounts the Debtor was excused from paying on leases during the first 60 days of the Chapter 11 Case. The Debtor has maintained all insurance and continues to enjoy the support of and ongoing business relationships with prepetition vendors and contract parties. The Debtor currently employs 26 people for its operations in the normal course. The Debtor expects continued profitable performance through the balance of the Chapter 11 Case and after Confirmation as projected.

IV. SUMMARY OF THE PLAN

A copy of the Plan is attached as Exhibit A to this Disclosure Statement. The Plan should be referred to for details concerning the treatment and classification of creditors and interest holders. The following summary is qualified in its entirety by the express provisions of the Plan.

The Plan provides for paying the secured and unsecured creditors in full and retention of the equity interests by Trent and Bennie Bowman. To the extent necessary, the Debtor will seek to confirm the Plan pursuant to 11 U.S.C. 1129(b). Absent confirmation of the Plan, the Debtor's assets will be insufficient to pay all secured claims and no unsecured creditor will be paid. The financial projections indicate that the plan

A. Purpose of the Plan

The purpose of the Plan is to allow the Debtor to continue in business with a revised business model that includes a more diversified business model that may provide more insulation from the dairy market and can be supported by cash flows from operations. The Debtor believes that the reorganization contemplated by the Plan is in the best interests of creditors as a whole. If the Plan is not confirmed, the Debtor believes that it will be forced to liquidate under chapter 7 of the Bankruptcy Code. In that event, it is likely that no claims beyond the secured creditors (and not even all the secured claims will be paid) and whatever value has been generated in the chapter 11 case will be spent litigating the characterization of leases and paying administrative costs of the chapter 7 case.

B. Administrative Claims

Administrative Claims representing costs incurred in the ordinary course of business and not yet paid will be paid by the Debtor on the date such debt is due. Payments owed to the United States Trustee will be paid in the ordinary course when due. Applications for payment of administrative expenses not described above will be paid on the later of (i) the Effective Date and (ii) as soon as practicable after allowance by the Bankruptcy Court. Applications for payment of administrative expenses must be filed and served no later than thirty (30) days after the Confirmation Date.

C. Professional Fee Claims

Allowed Claims of Debtor’s professionals will be paid on the later of (i) the Effective Date of the Plan and (ii) the date such Claim becomes an Allowed Claim; or as otherwise agreed between the professional and the Reorganized Debtor.

D. Priority Unsecured Tax Claims. No claims are believed to exist.

E. Classification and Treatment of the Claims and Equity InterestsSummary

A summary of the treatment of the classified claims is as follows:

Class/Type of Claim or Equity Interest	Treatment	Impairment/Voting Rights
Class 1: Secured Claim Beacon CU	Paid in full. Amortized over 25 years at 4.5% interest with payment in full at year 20. Paid down by sale of 575 acres of real estate in a lease/back transaction. Liens retained.	Impaired, entitled to vote
Class 2: Secured Claim St. Henry Bank	Paid in full. Paid down by the sale of excess equipment. Remaining debt continued to be paid at prepetition monthly payment amounts with same interest resulting in early payoff.	Impaired, entitled to vote
Class 3: Secured Claim Claas Financial Services LLC	Paid in full in 3 annual payments of \$47,000 and a final payment of unpaid principal and interest. Interest rate 3.99%. Liens retained.	Impaired, entitled to vote

Class/Type of Claim or Equity Interest	Treatment	Impairment/Voting Rights
Class 4: Secured Claim Wells Fargo Vendor Financial Services LLC	Paid in full. Monthly Payments of principal and interest (.9% per annum) in the amount of \$1,068.58. Liens retained.	Impaired, entitled to vote
Class 5: Secured Claims of DLL Finance LLC	Paid in full. Resume monthly payments under current loan agreements at same interest rates until paid in full. Liens retained.	Impaired, entitled to vote
Class 6: Secured Claim of Harvest Land Co-Op, Inc.	Paid in full. Four annual payments of \$142,171 with first payment in Nov. of the year following Class 2 Claim paid in full. Liens retained in Debtor property only. All other security released.	Impaired, entitled to vote
Class 7: Other Secured Claims	Satisfied in full by return of collateral or paid in full.	Not impaired, deemed to accept
Class 8: Other Unsecured Priority Claims that are not Tax Claims	Paid at the Effective Date or when allowed or as agreed	Not impaired, Deemed to accept
Class 9: General Unsecured Claims	Paid in full by delivering of pro rata share of \$132,000 annually until paid in full. Interest at 2% APR.	Impaired; entitled to vote.
Class 10: Equity Interests	All Equity Interests will be retained.	Not Impaired; Deemed to accept

2. Treatment of Claims and Equity Interests on the Effective Date

F. Means For Funding and Implementing the Plan

The Plan will be funded and implemented by the ongoing operations of the Debtor according to the business plan. Financial projections of the financial performance of the Debtor and the payments required under the Plan will be filed on or before the Disclosure Statement Exhibit Date.

G. Distribution of Property and Administration of the Plan

1. Vesting of Property in Reorganized Debtor

Except as otherwise provided in the Plan, all of the assets, properties, and rights of the Debtor owned by the Debtor of every type and description, tangible, intangible, wherever located, except for those funds to be paid by the Debtor before the Effective Date, shall be transferred and automatically vested in Reorganized Debtor as of the Effective Date free and

clear of all liens, claims, rights of setoff, security interests, pledges, encumbrances, adverse rights of interest, covenants, charges, debts and contractually imposed restrictions, and all such liens, claims, rights of setoff, security interests, pledges, encumbrances, adverse rights of interest, covenants, charges, debts and contractually imposed restrictions, except such liens as are expressly provided in the Plan. Moreover, all Causes of Action of the Debtor (under any theory of law or equity, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in an adversary proceeding filed in the Chapter 11 Case, but excluding any Causes of Action specifically released in the Plan shall be transferred on the Effective Date to Reorganized Debtor. Reorganized Debtor shall then have the right to commence and pursue all Causes of Action (except as otherwise noted above and provided in the Plan).

2. Organizational Authorization

The entry of the order confirming the Plan shall constitute authorization for the Debtor and the Reorganized Debtor to take or cause to be taken all organizational action necessary and appropriate to consummate and implement the Plan prior to and after the Effective Date and all such organizational actions taken or caused to be taken shall be deemed to have occurred and shall be in effect from and after the Effective Date pursuant to applicable non-Bankruptcy law and the Bankruptcy Code, without any requirement of further action by the Debtor. On or before the Effective Date, the Debtor and the Reorganized Debtor shall be authorized and directed to execute and deliver the agreements, documents, and instruments contemplated by the Plan.

H. Executory Contracts

Except as otherwise provided in the Plan effective on and as of the Effective Date, any and all Executory Contracts that exist on the Confirmation Date between the Debtor and any

party that are not listed on Exhibit A to the Plan, shall be rejected; *provided, however*, that the Debtor shall have the right, at any time prior to the Confirmation Date, to amend Exhibit A to add or delete any Executory Contract listed therein, thus providing for its rejection or assumption. The Confirmation Order shall, subject to and upon the occurrence of the Effective Date, constitute an order of the Bankruptcy Court approving such assumption or rejection as of the Confirmation Date, but subject to the Effective Date pursuant to §§ 365 and 1123(b)(2) of the Bankruptcy Code.

Reorganized Debtor will satisfy all undisputed cure and any other monetary defaults payments required by § 365(b)(1) of the Bankruptcy Code under any Executory Contract identified on Exhibit A to the Plan (as may be modified in accordance with § 4.1 of the Plan), to the extent any such Executory Contract is in default (and to the extent such obligations are enforceable under the Bankruptcy Code and applicable non-bankruptcy law), or the counterparty to such Executory Contract has not waived any monetary amounts arising prior to the Petition Date, by the payment of such undisputed cure amounts as agreed to by Reorganized Debtor and the counterparty to the Executory Contract or as determined by Final Order of the Bankruptcy Court. Executory Contract cure obligations, if not previously determined by an order of the Bankruptcy Court prior to the Effective Date, may be paid without further order of the Bankruptcy Court if such cure amounts are agreed to by Reorganized Debtor and the counterparty to such Executory Contracts. To the extent Reorganized Debtor and the counterparty to an Executory Contract cannot agree as to a particular cure amount, then such amounts will be determined by the Bankruptcy Court after notice and a hearing.

I. **Management of the Debtor**

The Debtor will continue to be managed by Trent Bowman.

J. **Objections to Claims**

The Debtor and/or Reorganized Debtor shall have the right to file objections to Claims through and including sixty (60) days following the Effective Date.

K. **Retirement or Erisa Plans**

The Debtor has no retirement or ERISA plans and thus there is no effect to those plans.

L. **Provisions for Classes Which Are Impaired and Do Not Accept the Plan**

Under the Bankruptcy Code, Claims in Classes which are impaired are entitled to vote on the Plan, unless the Holder of such a Claim is an insider or such Class shall not retain nor receive any property on account of its Prepetition Claim or Equity Interest. Classes 1, 2, 3, 4,5, 6, and 9 are impaired and may vote on the Plan. The legal rights of Classes 7 and 8 will not be affected and are not impaired. Debtor does not believe there are any Allowed Claims in Classes 7 and 8. Class 10 is not impaired and is deemed to accept the Plan.

The Plan provides that the Bankruptcy Court will retain jurisdiction over the Chapter 11 Case after Confirmation for various purposes as detailed in the Plan.

M. **Amendment, Modification or Revocation of the Plan**The Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Reorganized Debtor may, upon notice, or hearing and an order of the Bankruptcy Court, amend or modify the Plan in accordance with § 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A Holder of a Claim or Equity Interest that is deemed to have accepted the Plan shall be deemed to have accepted the Plan as modified

if the proposed modification does not materially and adversely change the treatment of the Claim or Equity Interest of such Holder.

N. **Discharge of the Debtor**

Except as otherwise provided in § 1141(d), the Plan, or the Confirmation Order, as of the Effective Date, Confirmation of the Plan shall discharge the Debtor from any debt that arose before the Effective Date and any debt of a kind specified in §§ 502(g), (h), or (i) of the Bankruptcy Code.

V. **LIQUIDATION ANALYSIS**

Holders of Claims in impaired Classes will receive a distribution under the Plan greater than they would receive under a chapter 7 forced liquidation sale. A liquidation analysis will be provided on or before the Disclosure Statement Exhibit Filing Date.

VI. **CONFIRMATION OF THE PLAN**

A. **Acceptance of the Plan**

The Debtor is seeking confirmation of the Plan under §1129(a) and if necessary §1129(b) of the Bankruptcy Code. The Bankruptcy Code defines acceptance of the Plan by a Class of creditors as acceptance by creditors holding two-thirds (2/3) in dollar amount and a majority in number of the Claims in such Class (other than any such creditor designated under § 1126(e) of the Bankruptcy Code), but for that purpose only counts those creditors that actually cast ballots and hold allowed claims at the time set for voting. Holders of Claims or Equity Interests that fail to vote are not counted as either accepting or rejecting the Plan.

B. **Voting Claims Subject to a Pending Objection**

If the Debtor has objected to the Claim of a creditor, the Holder of such Disputed Claim is not entitled to vote on the Plan absent further order of the Bankruptcy Court estimating the Claim for voting purposes.

C. **Fair & Equitable**

To confirm the Plan, the Bankruptcy Court must find that the Plan does not discriminate unfairly and is fair and equitable to Classes that are impaired and have not accepted the Plan. With respect to a class of unsecured creditors, the Plan is fair and equitable if they will receive value as of the effective date of the Plan equal to their claim or if no classes junior in priority will retain or receive any property or on account of their claim or interest.

D. **Feasibility**

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor. For the purposes of showing the Plan meets this feasibility standard, the Debtor analyzed the Reorganized Debtor's ability to meet its obligations under the Plan and to retain sufficient liquidity and capital resources to conduct its business. The Debtor believes that the projections to be provided as an Exhibit to this Disclosure Statement on or before the Disclosure Statement Exhibit Filing Date demonstrate that the Debtor and Reorganized Debtor will be able to make the distributions required under the Plan and operate as a going concern.

Risks Affecting the Debtor and Reorganized Debtor Business. The feasibility of the Plan and the supporting projections inherently rely on educated assumptions and projected data. There are variables however that the Debtor and Reorganized Debtor cannot control which may affect the Debtor's circumstances prior to Confirmation and Reorganized Debtor's performance under the Plan. These variable risks generally include: (i) vulnerability to the U.S. economy and the varying economic and costs cycles within the industry, in particular the cost of fuel and the sale price of milk; and (ii) the Reorganized Debtor's ability to meet its financial projections.

The dairy industry is still experiencing difficulties and the Debtor has public knowledge that its current buyer of milk is experiencing its own financial difficulties. The Debtor has secured an alternative buyer of its milk that will be able to pick up the Debtor's milk production on July 1, 2018. The Debtor believes that it has the right to enforce its contract with its current milk buyer that it will allow it to not experience a break in business.

The Debtor has included in its business plan a new business segment of raising dairy heifers for other farms. The Debtor believes that the current expressions of interest it has received will result in contracts to secure this business. Should it become necessary to delay the start of the heifer raising business, the Debtor believes that it may be able to secure an alternative source of income or sell property to reduce its obligations.

While the Debtor believes in good faith its financial projections, including projected revenues and cash flows, are currently both appropriately conservative and achievable, if the Reorganized Debtor is unable to meet its projected financial results or achieve projected revenues and Cash flows, the Reorganized Debtor could become unable to service its debt obligations as they come due or meet the Reorganized Debtor's operational needs.

VII. TAX CONSEQUENCES OF THE PLAN

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the Internal Revenue Service or an opinion of counsel concerning same.

ACCORDINGLY, ANY PERSONS WHO MAY BE AFFECTED BY IMPLEMENTATION OF THE PLAN, INCLUDING CREDITORS AND EQUITY INTEREST HOLDERS OF THE DEBTOR, SHOULD CONSULT THEIR OWN TAX ADVISORS RESPECTING THE TAX CONSEQUENCES UNDER FEDERAL AND ANY APPLICABLE STATE, COMMONWEALTH, LOCAL, OR FOREIGN LAW.

VIII. CONCLUSION

The Debtor believes that the Plan represents the best alternative for the Debtor, the Estate, and its creditors. The Debtor urges all creditors entitled to vote to return their ballots accepting the Plan.

DATED: February 24, 2018

BOWMAN DAIRY FARMS LLC,
as Debtor and Debtor-in-Possession,

By: /s/ Trent N. Bowman
Member

Submitted for filing by:

Terry E. Hall
Faegre Baker Daniels LLP
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