

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WISCONSIN**

In re:

SOUTHWESTERN WISCONSIN DAIRY
GOAT PRODUCTS COOPERATIVE

Chapter 11
Case No. 3-16-11994-rdm

Debtor.

***AMENDED DISCLOSURE STATEMENT
OF SOUTHWEST WISCONSIN DAIRY GOAT PRODUCTS COOPERATIVE
DATED SEPTEMBER 16, 2016 OCTOBER 24, 2016***

INTRODUCTION

Southwestern Wisconsin Dairy Goat Products Cooperative, d/b/a Mt. Sterling Co-op Creamery, Mt. Sterling Cheese Co-op and Mt. Sterling Cheese, the debtor and debtor-in-possession herein (the "Debtor"), provides this disclosure statement (the "Disclosure Statement") to all of its known creditors in order to disclose the information the Debtor deems material, important and necessary for its creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance of a proposed plan of reorganization (the "Plan").

Once the Court has approved the Debtor's Disclosure Statement, all creditors will be forwarded a copy of the Order approving the Disclosure Statement, the approved Disclosure Statement, the Plan, and a ballot to be completed by the creditor. Creditors will also be provided notice of the hearing on confirmation of the Plan, and may attend such hearing. As a creditor, your acceptance of the Plan is important. In order for the Plan to be accepted, creditors voting, which hold at least two-thirds in amount and more than one-half in number of the allowed claims of the various classes, must vote for the Plan and holders of two-thirds in amount of equity security interest, in each class voting on the Plan, must vote for the Plan. In the event the requisite acceptances are not obtained, the Court may, nevertheless, confirm the Plan if the Court finds that the Plan accords fair and equitable treatment to the class rejecting it.

NO REPRESENTATIONS CONCERNING DEBTOR (PARTICULARLY AS TO ITS FUTURE BUSINESS OPERATIONS OR VALUE OF PROPERTY) ARE AUTHORIZED BY DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OF THE PLAN, OTHER THAN AS CONTAINED IN THIS STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION TO ACCEPT OR REJECT DEBTOR'S PLAN, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR TO WHO, IN TURN, SHALL DELIVER SUCH

INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS THE COURT DEEMS APPROPRIATE.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE DATA IN DEBTOR'S POSSESSION IS BASED UPON THE CURRENT RECORDS OF DEBTOR AS OF THE DATE OF THIS DISCLOSURE STATEMENT, UNLESS OTHERWISE STATED. THIS DATA IS BASED ON THE RECORDS KEPT BY DEBTOR, AND IS TRUE AND ACCURATE TO THE BEST OF DEBTOR'S KNOWLEDGE. HOWEVER, DEBTOR IN POSSESSION ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS FREE FROM ERROR, ALTHOUGH EFFORT HAS BEEN MADE TO MAKE SURE THAT THE INFORMATION FAIRLY REPRESENTS THE CURRENT POSITION OF DEBTOR.

BACKGROUND OF THE DEBTOR AND HISTORY OF CHAPTER 11 CASE

The Debtor is a member-owned and operated cooperative and does business as Mt. Sterling Co-op Creamery, Mt. Sterling Cheese Co-op, and Mt. Sterling Cheese. The Debtor was incorporated in 1976 as the Southwestern Wisconsin Dairy Goat Products Cooperative and has been producing high quality dairy goat products, including cheese and butter, since that time. The members of the Debtor are traditional family-operated dairy goat farms and are committed in their desire to produce hormone free products. The Debtor's business headquarters, including its cheese factory, are located in Mt. Sterling, Wisconsin. The Debtor currently employs 15 employees, who include one of the members of the Debtor, Patricia Lund, who acts as the marketing director for the Debtor.

The Debtor's primary source of income is the proceeds it receives from the sale of its dairy goat products. The Debtor supplies its products to third party retailers, and also does direct online sales.

The Debtor is a party to pre-petition financing arrangements with Peoples State Bank ("Peoples") consisting of a Business Credit Agreement dated August 26, 2010 in the original principal amount of \$550,000.00 (the "Note"). The Note was extended and modified in 2011, 2012, and 2014. The final extension and modification of the Note between the parties which was effective as of October 24, 2014, provided that all unpaid principal and accrued interest due on the Note would be due and payable on October 24, 2015. As security for the payment of the Debtor's obligations, Peoples asserts a validly perfected first-position general business security interest in the Debtor's personal property, inventory, equipment, and accounts receivable; and a properly perfected first-position mortgage on the Debtor's production plant located at 505 Diagonal Street, Mt. Sterling, Wisconsin (the "Production Plant").

The Debtor's real estate holdings also include an office building located at 405 Diagonal Street, Mt. Sterling, Wisconsin (the "Office"), which the Debtor owns free and clear of any liens and encumbrances. *According to the Debtor's schedules, the fair market value of the Office, based upon the 2015 real estate tax bill, is \$50,900.00.*

The Debtor's financial problems began with the drought that affected much of the state of Wisconsin in the summer of 2012. The summer of 2012's combination of extreme heat and sparse rainfall devastated acres of hay and corn crops throughout the state. This not only led to increased costs for feed for the goats, but also had a negative impact on goat milk production.

During this time, the Debtor was making plans to expand its business, which included the construction of a new production plant with an anticipated price tag of approximately \$1 million. Because of the effects of the drought, the Debtor made the decision to scrap plans for the expansion. The decision caused several former member producers of the Debtor to terminate their membership with the Debtor, which left the Debtor scrambling to source goat milk from other sources.

The Debtor's finances were further negatively affected in July of 2014 when the Debtor issued a voluntary recall of approximately 300 pounds of raw goat milk mild cheddar cheese due to a possible E. coli contamination. The Debtor initiated the recall after two five-pound loaves of cheese tested by the Food and Drug Administration (the "FDA") were found to be positive for Shiga toxin 1 and was contaminated with E. coli. Fortunately, no illnesses were ever reported, and a third party audit by a food safety specialist conducted in 2015 revealed that the Debtor had no continuing issues. However, the Debtor lost significant inventory which had to be replaced due to the recall, the recall did cause some fall out with some of the Debtor's customers which led to a loss of revenue.

The Debtor's Note to Peoples is structured as a line of credit which Peoples routinely extended annually when the maturity date came up. Prior to the Debtor's lean years, the Debtor made payments on its debt to Peoples during the fall and winter months which had never been an issue prior to 2013/2014. Due to the Debtor's financial setbacks, the Debtor was less able to service its debt with Peoples during 2013 and 2014. In September of 2015, the Debtor again was able to, and started making the seasonal payments to Peoples. However, despite this fact and despite the fact that the Debtor's business was on the upswing, Peoples declined to renew the Note when it matured in October of 2015. The Debtor then made several proposals to Peoples to restructure the Note outside of bankruptcy, which Peoples rejected. On February 15, 2016, Peoples filed a foreclosure and replevin action in the Circuit Court of Crawford County, 16-CV-13 (the "State Court Action"). The Debtor filed this Case shortly after Peoples obtained a summary judgment against the Debtor in the State Court Action to avoid liquidation of its personal property, which would have effectively shut down the Debtor's operations.

The Debtor's business improved dramatically since the beginning of 2016. Year to date, the Debtor is seeing a 17% increase in its sales, and expects the increase to continue for the rest of the year and in the long-term.

DEVELOPMENTS DURING THIS CASE.

On June 6, 2016, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code as the above-captioned case (the "Case").

On June 17, 2016, the Debtor filed various first day motions including a Motion for Entry of Interim and Final Orders (a) Authorizing Use of Cash Collateral, and (b) Granting Adequate Protection (the “Cash Collateral Motion”); a Motion for an Order Authorizing Payment of Employee Wage Obligations, Payroll Taxes, and Expense Reimbursements (the “Employee Wage Motion”); and the Motion for Expedited Hearing on the first day motions (the “Motion for Expedited Hearing”) (collectively, the “First Day Motions”).

Prior to the final hearing on the Cash Collateral Motion and the Employee Wage Motion, the Debtor and Peoples reached an agreement on the Debtor’s use of cash collateral payments, including the payment of employee wage obligations. The Debtor and Peoples entered into the Stipulation Regarding Adequate Protection and Debtor’s Use of Cash Collateral (the “Stipulation”), which Stipulation was filed on June 23, 2016 (See Docket Entry #40). The Stipulation was approved by this Court pursuant to the order signed and entered on June 24, 2016 (See Docket Entry #44).

Pursuant to the Stipulation, the Debtor made the adequate protection payments to Peoples on the following dates in the following amounts:

- June, 2016 \$2,500.00
- July 10, 2016 \$3,500.00
- August 10, 2016 \$3,500.00
- September 10, 2016 \$3,500.00
- **October 10, 2016 \$3,500.00**

Since the bankruptcy filing, Debtor has continued its operation and foresees continuing its operations. Year to date, the Debtor is experiencing a 17% percent increase in its sales. The Debtor’s most profitable months during the cycle of its business operations will begin starting with the month of September and continuing through the holiday and winter months.

PLAN OF REORGANIZATION

The Debtor’s Plan provides for payment in full of all allowed administrative, secured, and unsecured claims. The amortization on these obligations has generally been extended to provide adequate cash flow and to service debt. A copy of the Debtor’s Plan, *as amended as of October 24, 2016*, is attached hereto as **Exhibit A**, and the Debtor’s monthly cash flow projection, *updated as of October 24, 2016*, is attached hereto as **Exhibit C**.

- **CLASS 1 – Administrative Priority Claims.** Administrative Priority Claims include all costs and expenses of the administration of this chapter 11 case allowed under Section 503(b) of the Code and entitled to priority under Section 507(a)(1) of the Code. The Plan provides for payment in full of all allowed administrative expenses on the Effective Date, unless other treatment is specifically set forth herein. This treatment shall not apply to the claims of Krekeler Strother. The claims of Krekeler Strother shall be paid in full, subject to approval and order of the court, upon the Effective Date or upon consent to other treatment by Krekeler Strother, S.C., with interest at the rate of **3.5%** ~~5%~~ per

annum. The amount of such fees to be approved is estimated to be \$18,500.00. Any amounts remaining due shall be paid by monthly payments by the Debtor to amortize the balance over two (2) years. Such payments, however, shall be made only upon approval by the Court of such administrative expense claims. As of September 16, 2016, Krekeler Strother, S.C. has incurred unpaid fees and expenses for its services as counsel for the Debtor in the approximate amount of \$16,538.00.

As previously disclosed in the Application of Southwestern Wisconsin Dairy Goat Products Cooperative for Entry of an Order Authorizing the Retention of Attorney J. David Krekeler and Krekeler Strother, S.C. as Counsel to the Debtor, Nunc pro Tunc as of June 3, 2016, filed on June 22, 2016 as Docket Entry No. [3] (the "Krekeler Strother Employment Application"), the Debtor initially retained Krekeler Strother on March 4, 2016, and paid to Krekeler Strother an initial retainer of \$2,500. A portion of the initial retainer was provided for Krekeler Strother's planning and preparation for the filing of the Case. In the one-year period prior to the Petition Date, the Debtor paid Krekeler Strother the total amount of \$15,621.80 for attorneys' fees earned for services rendered and costs incurred by Krekeler Strother. Krekeler Strother is currently holding \$173.10 in its trust account, which amount continues to be held in trust by Krekeler Strother until further order by this Court, the end of this Case, or such other time as the parties have agreed. See Krekeler Strother Employment Application, ¶ 16, p. 5.

Honkamp Krueger & Co., P.C., ("Honkamp"), the Debtor's accountants, will also have incurred unpaid fees and expenses for services provided to the Debtor related to preparing and filing of the Debtor's 2015 income tax returns, which amount is unknown at this time.

Fees to professionals will continue to accrue through confirmation. The Court will ultimately review and determine the allowability and amounts of all fees paid or to be paid to the professionals described above. All fees of professionals approved by the court will be paid from the bankruptcy estate.

- **CLASS 2 – Secured Claim of Peoples.** Peoples filed a secured claim in the amount of \$584,166.7. However, subsequent to filing its proof of claim, Peoples provided the Debtor with an updated payoff in the amount of ~~\$580,572.41~~ **\$586,238.44**, which amount includes accrued interest, attorney's fees incurred, and credit for adequate protection payments made by the Debtor through and including September 10, 2016. People's claim is secured by a validly perfected first-position general business security interest in all personal property of the Debtor, pursuant to the pre-petition loan documents between the parties, which personal property consists of inventory, equipment, and accounts receivables, and deposit accounts of the Debtor with a total aggregate value of approximately \$769,387.03 as of the Petition Date; and a properly perfected first-position mortgage on the Debtor's production plant located at 505 Diagonal Street, Mt. Sterling, Wisconsin (the "Production Plant"), whose value is approximately \$101,900.00 as of the Petition Date. *The secured claim of Peoples is impaired.*

People's secured claim shall be paid in full, with interest at the fixed rate of 5% per annum, amortized over seven (7) years, to be paid in full within seven (7) years according

to the payment schedule detailed below, with the first payment due for the first full month within 30 days of the Effective Date of this Plan, **and then paid on the 15th day of each month thereafter:**

- The month of October through the life of this Plan: \$8,435.22 ~~\$8,211.00~~
- The month of November through the life of this Plan: \$8,435.22 ~~\$8,211.00~~
- The month of December through the life of this Plan: \$12,652.83 ~~\$12,316.50~~
- The month of January through the life of this Plan: \$16,870.44 ~~\$16,422.00~~
- The month of February through the life of this Plan: \$16,870.44 ~~\$16,422.00~~
- The month of March through the life of this Plan: \$12,652.83 ~~\$12,316.50~~
- The month of April through the life of this Plan: \$8,435.22 ~~\$8,211.00~~
- The month of May through the life of this Plan: \$4,217.61 ~~\$4,105.50~~
- The month of June through the life of this Plan: \$4,217.61 ~~\$4,105.50~~
- The month of July through the life of this Plan: \$4,217.61 ~~\$4,105.50~~
- The month of August through the life of this Plan: \$4,217.61 ~~\$4,105.50~~
- The month of September through the life of this Plan: \$4,217.61 ~~\$4,105.50~~

The Debtor's projected cash flow indicates that the Debtor has a negative cash flow for the months of May, June, and July. However, the Debtor expects to have sufficient cash reserves built up from its peak income months to be able to make the payments during these months.

The Debtor shall provide Peoples with a report, on a monthly basis, with the first report due on the first full month within 30 days of the Effective Date of this Plan, providing an accounting of the Debtor's cheese inventory. The cheese inventory report shall include the number of pounds of cheese in the Debtor's inventory, as well as the location of the poundage. Peoples shall also be entitled to inspect and conduct an inventory of the Debtor's cheese at any time upon providing at least 10 (ten) days' written notice to the Debtor of its intent to conduct such inventory.

Upon the Debtor's failure to make a required payment to Peoples, Peoples shall provide written notice of such failure to the Debtor, which written notice shall be accomplished by an electronic mail (email) to Debtor's counsel at **ereyes@ks-lawfirm.com** and **jschank@ks-lawfirm.com**, with a copy by mail to the Debtor to its mailing address of P.O. Box 103, Mt. Sterling, Wisconsin, 54645. The Debtor's failure to cure a default in making the required payment within ten (10) days of Peoples' notice shall be considered an event of default, and Peoples shall have the right to file a motion to seek appropriate relief from the Court, to permit Peoples to pursue all of its state court remedies, including realizing on its collateral and collecting amounts due and owing.

All other terms and provisions contained in the loan documents between the Debtor and Peoples shall remain in full force and effect. Peoples shall retain its lien securing this claim until such time as this claim and interest thereon have been paid in full pursuant to the terms of this Plan, at which time Peoples shall execute documents reasonably necessary to release all liens or security interests in the personal property of the Debtor.

- **CLASS 3 – All general non-priority, unsecured claims.** Class 3 consists of all allowed general non-priority unsecured claims, which total approximately \$8114.00, according to

claims scheduled as undisputed, non-contingent, and liquidated and filed proofs of claim. All allowed claims of general unsecured creditors are *not impaired because general unsecured creditors shall be paid over a seven (7) year period.* ~~however, and the claimants shall be paid in full over such seven-year period.~~

General unsecured claimants shall be paid in full, with interest at the fixed rate of 3.5% 3% per annum, amortized over seven (7) years, to be paid in full within seven (7) years, in equal monthly payments of ~~\$110.00~~ \$108.00, with the first payment to be paid within 30 days of the Effective Date of this Plan, and then paid on the 15th day of each month thereafter. The claimants in Class 3 shall share pro rata in the monthly distributions.

~~The return to unsecured creditors if Debtor's assets were liquidated is difficult to determine; however, In a liquidation scenario, the unsecured creditors would be paid in full immediately if the Debtor's office building located at 405 Diagonal Street, Mt. Sterling, Wisconsin (the "Office"), which the Debtor owns free and clear of any liens and encumbrances, was liquidated and the net sale proceeds distributed to the unsecured creditors. due to the perfected pre-petition liens of Peoples, and the anticipated costs of liquidation and the depressed prices usually obtained under forced-sale circumstances, unsecured creditors would likely receive little if any distribution in a liquidation scenario. However, under the Plan, unsecured creditors shall be paid in full over a period of seven (7) years.~~

Payments to Class 3 are amortized over a term of seven (7) years to provide the Debtor with adequate cash flow to service its secured debt. The Debtor's business is seasonal and cyclical by nature and its cash flow could be affected, negatively or positively, for a number of reasons, including changes in market prices, issues affecting the production of the member/producers' herds, and demand for the Debtor's product. Upon information and belief, with the exception of CliftonLarsonAllen LLP, the Debtor's former accountants, Cardmember Service, and the Debtor's former attorneys, the remainder of the members of Class 3 are trade vendors with whom the Debtor continues to do business. If the Debtor becomes unable to service its secured debt and be forced to shut down its operations, while it is true that the Class 3 claimants' pre-petition claims would be paid in full, some of the Class 3 claimants would lose a valuable customer and continuing source of revenues for their individual businesses.

- **CLASS 4** – The equity holders of the Debtor. The Debtor's equity holders shall retain their ownership interest upon confirmation of this Plan, said interest being of nominal or no value. The Debtor's business shall continue to be managed by the producer/members of the Debtor, and the producer/members shall continue to be compensated by the Debtor for the goat milk provided to the Debtor by the producer/members. Producer/member Patricia Lund shall continue to be compensated for her services as marketing director of the Debtor as long as she holds this position. The producer/members are not receiving equity from the Debtor through dividends or equity holder draws, and the Debtor shall pay all creditors in full within seven (7) years of confirmation.

The Debtor's continued operations and revenues will generate the funds needed to implement the Plan. All assets of the bankruptcy estate shall re-vest in the Debtor. The Debtor, as debtor-in-possession and trustee of the estate, holds no causes of action for preference or avoidance recoveries, and does not anticipate receiving funds from any such claims

In order to confirm the Plan, the Court must *find* ~~fund~~ that confirmation is not likely to be followed by liquidation or the need for further reorganization. The Plan satisfies this requirement, as the Plan provides for manageable debt service to the Debtor's creditors, while allowing the Debtor to maintain adequate cash holdings and meet operational expenses. As reflected by the Debtor's projected cash flow and corresponding plan payment chart, collectively attached hereto as Exhibit C, the Debtor expects successful operations since the filing of this case, has a positive outlook for its future operations, and will have sufficient cash reserves and sufficient average monthly net income to make the payments due upon confirmation over the life of the Plan. The members of the Debtor believe it will be able to comply with the proposed Plan, while also continuing its operations.

LIQUIDATION ANALYSIS

~~The return to unsecured creditors if the Debtor's assets were liquidated is difficult to determine. However, due to the properly perfected liens of Peoples, the anticipated costs of liquidation and the depressed prices usually obtained under forced sale circumstances, unsecured creditors would receive no distributions in a liquidation scenario. However, under the Plan, unsecured creditors with allowed claims shall receive payment in full. A Liquidation Analysis of the Debtor's assets is attached hereto and incorporated herein by reference as **Exhibit D**.~~

In a liquidation scenario, the unsecured creditors would be paid in full immediately if the Office, which the Debtor owns free and clear of any liens and encumbrances, was liquidated and the net sale proceeds distributed to the unsecured creditors. A Liquidation Analysis of the Debtor's assets is attached hereto and incorporated herein by reference as Exhibit D.

RISK FACTORS

Certain substantial risk factors are inherent in most Chapter 11 plans. In this case, the only significant risk would be a substantial drop in the market for goat milk products, health issues with the producer/members' herds, and other acts of nature which are difficult for Debtor to control. In that event, Peoples would be entitled to enforce its liens and the unsecured claimants could pursue their rights under the Plan.

POTENTIAL TAX CONSEQUENCES OF THE PLANS

The following is a summary of potential federal income tax consequences of the implementation of the Plans. No opinion of counsel has been obtained and no ruling has been requested or obtained from the Internal Revenue Service with respect to any of the tax aspects of the Plan, and the discussion set forth herein is not binding upon the Internal Revenue Service.

ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM, UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS OF THE CONFIRMATION AND CONSUMMATION OF THE PLAN.

Tax Consequences for Creditors

Creditors may be required to recognize income or may be entitled to a deduction as the result of the implementation of the Plan. The exact tax treatment will depend on each creditor's method of accounting and the nature of each Claim in the hands of the creditor. In general, holders of Claims should recognize a gain or loss in an amount equal to the difference between (1) the value of the property or cash received and (2) the Claim holder's adjusted tax basis in the Claim. Where gain or loss is recognized by a holder of a Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount or for the sale of inventory, and whether and to what extent the holder had previously claimed a bad debt deduction.

Tax Consequences for the Debtor

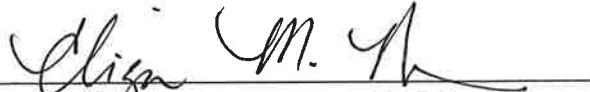
Upon confirmation of the Plan, the terms of the Debtor's aggregate outstanding indebtedness will be changed. Generally speaking, a discharge or forgiveness of indebtedness creates taxable income for the taxpayer granted the discharge. The Internal Revenue Code provides an exception where the taxpayer is under the jurisdiction of a bankruptcy court in a case under the Bankruptcy Code, and the taxpayer is granted a discharge of debt by the court or pursuant to a plan approved by the court. Accordingly, the Debtor will not be required to include as income any amount resulting from any discharge of indebtedness pursuant to the Plan. There is a possibility that the various transfers and transactions contemplated by the Plan will result in a reduction of certain tax attributes of the Debtor, including, but not limited to, loss carry-forwards and/or capital gains tax liability to the Debtor and holders of an interest in the Debtor.

CONCLUSION

All of the information contained in this Disclosure Statement represents the best efforts of the Debtor to provide relevant and necessary information. This Statement represents the best estimates of the Debtor regarding its assets and liabilities, and its income and expenses, including future income projections. This Disclosure Statement should be read and reviewed in conjunction with each of the Debtor's Plan of Reorganization.

Dated: October 27, 2016.

Krekeler Strother, S.C.

By: 
Eliza M. Reyes, State Bar No. 1030764
Jennifer M. Schank, State Bar No. 1077110

*Attorneys for Southwest Wisconsin Dairy Goat
Cooperative*

**2901 West Beltline Hwy, Suite 301
Madison, WI 53713
Phone: 608-258-8555
Fax: 608-258-8299
ereyes@ks-lawfirm.com
jschank@ks-lawfirm.com**

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WISCONSIN

In re:

SOUTHWESTERN WISCONSIN DAIRY
GOAT PRODUCTS COOPERATIVE

Chapter 11
Case No. 3-16-11994-rdm

Debtor.

**AMENDED CHAPTER 11 PLAN
OF SOUTHWEST WISCONSIN DAIRY GOAT PRODUCTS COOPERATIVE
DATED ~~SEPTEMBER 20, 2016~~ OCTOBER 24, 2016**

Southwest Wisconsin Dairy Goat Products Cooperative, the debtor and debtor-in-possession herein (the "Debtor"), pursuant to 11 U.S.C. § 1121, hereby sets for the following as its *amended* proposed chapter 11 plan of reorganization dated ~~September 20, 2016~~ **October 24, 2016** (the "Plan"). ~~The Plan, originally dated September 16, 2016 was attached as Exhibit A to the Debtor's Disclosure Statement dated September 16, 2016, but was not previously filed as a separate docket entry.~~

**ARTICLE 1
DEFINITIONS**

For the purposes of this Plan, the following terms shall have the respective meanings set for the below:

1.1 "Administrative claim" shall mean a claim for administrative expenses under Section 503(b) of the United States Bankruptcy Code that is an Allowed Claim and is entitled to priority in payment pursuant to Section 507(a)(1) of the United States Bankruptcy Code.

1.2 "Allowed claim" shall mean any Claim, proof of which is filed on or before the date designated by the Bankruptcy Court as the last date for filing proofs of claim with respect to such Claim, or which has been or hereafter is scheduled by the Debtors as liquidated in amount and not disputed or contingent and in either case, a Claim as to which n objection to the allowance thereof has been filed within the applicable period of limitation fixed by the Code, the Bankruptcy Rules, or an order of the Court, or (b) as to which any objection has been determined by an order or judgment of the Court allowing such Claim in whole or in part that is no longer subject to appeal, de novo review, or certiorari proceeding, and as to which no appeal, de no review, or certiorari proceeding is pending.

1.3 "Bar Date" shall mean August 16, 2016.

1.4 "Avoidance Actions" shall mean any claims or causes of action of the Debtor's estate under or pursuant to Code sections 544, 545, 546, 547, 548, 549, 550, 551, or 553.



1.5 “Causes of Action” shall mean, whenever arising, all rights, claims, and causes of action accruing to the Debtor or the Trustee, before, on, or after the Petition Date, and not otherwise settled or compromised pursuant to this Plan or otherwise, including, without limitation, all Avoidance Actions.

1.6 “Claim” shall mean any right in existence on the Confirmation Date against the Debtor to (a) payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, or (b) an equitable remedy for a breach of performance if the breach would rise to a right of payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

1.7 “Code” shall mean the Bankruptcy Code, 11 U.S.C. § 101 et seq., and any amendments thereof.

1.8 “Confirmation Date” shall mean the date upon which the order confirming the Plan is entered by the court in accordance with the provisions of Chapter 11 of the Code.

1.9 “Confirmation Order” shall mean the order of the Court confirming the Plan.

1.10 “Court” shall mean the United States Bankruptcy Court for the Western District of Wisconsin in which the Debtor’s Chapter 11 case, pursuant to which this Plan is proposed, is pending, and any court having competent jurisdiction to hear appeals or certiorari proceedings therefrom.

1.11 “Creditor” shall mean any person or its assignee that holds a claim against the Debtor for unsecured debts, liabilities, demands, or claims of any character whatsoever, including any under-secured creditors.

1.12 “Debtor” shall mean Southwest Wisconsin Dairy Goat Cooperative, the Debtor in this Chapter 11 case.

1.13 “Effective Date” shall mean the day that is 15 business days after the Confirmation Order is entered, provided that all conditions to effectiveness of the Plan are satisfied, or else the next business day after all conditions to effectiveness of the Plan are satisfied.

1.14 “General Unsecured Claim” shall mean an unsecured Claim without priority.

1.15 “IRS” shall mean the United States Treasury, Internal Revenue Service.

1.16 “Krekeler Strother” shall mean Krekeler Strother, S.C., counsel for the Debtor in this Chapter 11 Case.

1.17 “Petition Date” shall mean the date on which the Debtor filed a voluntary petition for relief commencing this Chapter 11 case, June 6, 2016.

1.18 “Plan” shall mean this Plan of Reorganization in its present form or as may hereafter be amended, modified, or supplemented in accordance with the terms hereof or in accordance with the Code.

1.19 "Peoples" shall mean Peoples State Bank, the Debtor's pre-petition secured lender.

1.20 "Priority Claim" shall mean a Claim entitled to priority under Section 507(a)(8) of the Code.

1.21 "Rule" and "Rules" shall mean the Federal Rules of Bankruptcy Procedure and the local bankruptcy rules as adopted by the Court.

1.22 "Secured Claim" shall mean a Claim arising on or before the Petition Date (or thereafter upon approval of the Court) that is secured by a valid Lien on property in which the Debtor's estate has an interest which is not void or voidable under any state or federal law, including the provisions of the Code.

1.23 "Secured creditors" shall mean creditors who hold a lien, security interest, or other encumbrance which has been properly perfected, as required by law with respect to the property owned by the Debtor, prior to the filing of this case, or thereafter as authorized and ordered by the Court.

1.24 "WIDOR" shall mean the Wisconsin Department of Revenue.

1.25 "Reorganized Company" shall mean the Debtor after the Plan has been confirmed by the Confirmation Order and after the Effective Date.

1.26 "Honkamp" shall mean Honkamp Krueger, S.C., accountants for the Debtor in this Chapter 11 Case.

Terms not defined in this Plan that are defined in the Code shall have the meanings stated in the Code.

ARTICLE 2 CLASSIFICATION OF CLAIMS AND INTERESTS

The claims and interests herein are hereby classified as follows:

2.1 CLASS 1 – Administrative Priority Claims. The costs and expenses of administration of the Debtor's Chapter 11 Case, as defined in the Code, for which application shall be made, provided said costs and expenses are allowed, approved, and authorized to be paid by the Court. Such costs include all pre-confirmation fees payable under 28 U.S.C. § 1930, which either have been paid or shall be paid on the effective date of the Plan, and all post-confirmation fees as required by law.

2.2 CLASS 2 - The secured claim of Peoples.

2.3 CLASS 3 – All general non-priority, unsecured claims.

2.4 CLASS 4 – The equity holders of the Debtor.

**ARTICLE 3
TREATMENT OF CLAIMS AND INTERESTS**

The Debtor's Plan provides for payment in full of all allowed administrative, secured, and unsecured claims. The amortization on these obligations has generally been extended to provide adequate cash flow and to service debt. A copy of the Debtor's monthly cash flow projection is attached hereto as **Exhibit A**.

3.1 CLASS 1 – Administrative Priority Claims. Administrative Priority Claims include all costs and expenses of the administration of this chapter 11 case allowed under Section 503(b) of the Code and entitled to priority under Section 507(a)(1) of the Code. The Plan provides for payment in full of all allowed administrative expenses on the Effective Date, unless other treatment is specifically set forth herein. This treatment shall not apply to the claims of Krekeler Strother. The claims of Krekeler Strother shall be paid in full, subject to approval and order of the court, upon the Effective Date or upon consent to other treatment by Krekeler Strother, S.C., with interest at the rate of ~~3.5%~~ ~~5%~~ per annum. The amount of such fees to be approved is estimated to be \$18,500.00. Any amounts remaining due shall be paid by monthly payments by the Debtor to amortize the balance over two (2) years. Such payments, however, shall be made only upon approval by the Court of such administrative expense claims. As of September 12, 2016, Krekeler Strother incurred unpaid fees and expenses for its services as counsel for the Debtor in the approximate amount of \$16,538.00.

As previously disclosed in the Application of Southwestern Wisconsin Dairy Goat Products Cooperative for Entry of an Order Authorizing the Retention of Attorney J. David Krekeler and Krekeler Strother, S.C. as Counsel to the Debtor, Nunc pro Tunc as of June 3, 2016, filed on June 22, 2016 as Docket Entry No. [3] (the "Krekeler Strother Employment Application"), the Debtor initially retained Krekeler Strother on March 4, 2016, and paid to Krekeler Strother an initial retainer of \$2,500. A portion of the initial retainer was provided for Krekeler Strother's planning and preparation for the filing of this case. In the one-year period prior to the Petition Date, the Debtor paid Krekeler Strother the total amount of \$15,621.80 for attorneys' fees earned for services rendered and costs incurred by Krekeler Strother. Krekeler Strother is currently holding \$173.10 in its trust account, which amount continues to be held in trust by Krekeler Strother until further order by this Court, the end of this case, or such other time as the parties have agreed. See Krekeler Strother Employment Application, ¶ 16, p. 5.

Honkamp Krueger & Co., P.C., ("Honkamp"), the Debtor's accountants, will also have incurred unpaid fees and expenses for services provided to the Debtor related to preparing and filing of the Debtor's 2015 income tax returns, which amount is unknown at this time.

Fees to professionals will continue to accrue through confirmation. The Court will ultimately review and determine the allowability and amounts of all fees paid or to be paid to the professionals described above. All fees of professionals approved by the court will be paid from the bankruptcy estate.

3.2 CLASS 2 – Secured Claim of Peoples. Peoples filed a secured claim in the amount of \$584,166.7. However, subsequent to filing its proof of claim, Peoples provided the Debtor with an updated payoff in the amount of ~~\$586,238.44~~ ~~\$580,572.41~~, which amount

includes accrued interest, attorney’s fees incurred, and credit for adequate protection payments made by the Debtor through and including September 10, 2016. People’s claim is secured by a validly perfected first-position general business security interest in all personal property of the Debtor, pursuant to the pre-petition loan documents between the parties, which personal property consists of inventory, equipment, and accounts receivables, and deposit accounts of the Debtor with a total aggregate value of approximately \$769,387.03 as of the Petition Date; and a properly perfected first-position mortgage on the Debtor’s production plant located at 505 Diagonal Street, Mt. Sterling, Wisconsin (the “Production Plant”), whose value is approximately \$101,900.00 as of the Petition Date. ***The secured claim of Peoples is impaired.***

People’s secured claim shall be paid in full, with interest at the fixed rate of 5.5% 5% per annum, amortized over seven (7) years, to be paid in full within seven (7) years according to the payment schedule detailed below, with the first payment due for the first full month within 30 days of the Effective Date of this Plan, ***and then paid on the 15th day of each month thereafter:***

- The month of October through the life of this Plan: ~~\$8,435.22~~ ~~\$8,211.00~~
- The month of November through the life of this Plan: ~~\$8,435.22~~ ~~\$8,211.00~~
- The month of December through the life of this Plan: ~~\$12,652.83~~ ~~\$12,316.50~~
- The month of January through the life of this Plan: ~~\$16,870.44~~ ~~\$16,422.00~~
- The month of February through the life of this Plan: ~~\$16,870.44~~ ~~\$16,422.00~~
- The month of March through the life of this Plan: ~~\$12,652.83~~ ~~\$12,316.50~~
- The month of April through the life of this Plan: ~~\$8,435.22~~ ~~\$8,211.00~~
- The month of May through the life of this Plan: ~~\$4,217.61~~ ~~\$4,105.50~~
- The month of June through the life of this Plan: ~~\$4,217.61~~ ~~\$4,105.50~~
- The month of July through the life of this Plan: ~~\$4,217.61~~ ~~\$4,105.50~~
- The month of August through the life of this Plan: ~~\$4,217.61~~ ~~\$4,105.50~~
- The month of September through the life of this Plan: ~~\$4,217.61~~ ~~\$4,105.50~~

The Debtor’s projected cash flow indicates that the Debtor has a negative cash flow for the months of May, June, and July. However, the Debtor expects to have sufficient cash reserves built up from its peak income months to be able to make the payments during these months.

The Debtor shall provide Peoples with a report, on a monthly basis, with the first report due on the first full month within 30 days of the Effective Date of this Plan, providing an accounting of the Debtor’s cheese inventory. The cheese inventory report shall include the number of pounds of cheese in the Debtor’s inventory, as well as the location of the poundage. Peoples shall also be entitled to inspect and conduct an inventory of the Debtor’s cheese at any time upon providing at least 10 (ten) days’ written notice to the Debtor of its intent to conduct such inventory.

Upon the Debtor’s failure to make a required payment to Peoples, Peoples shall provide written notice of such failure to the Debtor, which written notice shall be accomplished by an electronic mail (email) to Debtor’s counsel at ereyes@ks-lawfirm.com and jschank@ks-lawfirm.com, with a copy by mail to the Debtor to its mailing address of P.O. Box 103, Mt. Sterling, Wisconsin, 54645. The Debtor’s failure to cure a default in making the required payment within ten (10) days of Peoples’ notice shall be considered an event of default, and

Peoples shall have the right to file a motion to seek appropriate relief from the Court, to permit Peoples to pursue all of its state court remedies, including realizing on its collateral and collecting amounts due and owing.

All other terms and provisions contained in the loan documents between the Debtor and Peoples shall remain in full force and effect. Peoples shall retain its lien securing this claim until such time as this claim and interest thereon have been paid in full pursuant to the terms of this Plan, at which time Peoples shall execute documents reasonably necessary to release all liens or security interests in the personal property of the Debtor.

3.3 CLASS 3 – All general non-priority, unsecured claims. Class 3 consists of all allowed general non-priority unsecured claims, which total approximately \$8114.00, according to claims scheduled as undisputed, non-contingent, and liquidated and filed proofs of claim. All allowed claims of general unsecured creditors are *not*-impaired *because general unsecured creditors shall be paid over a seven (7) year period, however, and* the claimants shall be paid in full *over such seven-year period.*

General unsecured claimants shall be paid in full, with interest at the fixed rate of 3.5% 3% per annum, amortized over seven (7) years, to be paid in full within seven (7) years, in equal monthly payments of ~~\$110.00~~ \$108.00, with the first payment to be paid within 30 days of the Effective Date of this Plan, and then paid on the 15th day of each month thereafter. The claimants in Class 3 shall share pro rata in the monthly distributions.

~~The return to unsecured creditors if Debtor's assets were liquidated is difficult to determine; however, In a liquidation scenario, the unsecured creditors would be paid in full immediately if the Debtor's office building located at 405 Diagonal Street, Mt. Sterling, Wisconsin (the "Office"), which the Debtor owns free and clear of any liens and encumbrances, was liquidated and the net sale proceeds distributed to the unsecured creditors. due to the perfected pre-petition liens of Peoples, and the anticipated costs of liquidation and the depressed prices usually obtained under forced sale circumstances, unsecured creditors would likely receive little if any distribution in a liquidation scenario. However, under the Plan, unsecured creditors shall be paid in full over a period of seven (7) years.~~

Payments to Class 3 are amortized over a term of seven (7) years to provide the Debtor with adequate cash flow to service its secured debt. The Debtor's business is seasonal and cyclical by nature and its cash flow could be affected, negatively or positively, for a number of reasons, including changes in market prices, issues affecting the production of the member/producers' herds, and demand for the Debtor's product. Upon information and belief, with the exception of CliftonLarsonAllen LLP, the Debtor's former accountants, Cardmember Service, and the Debtor's former attorneys, the remainder of the members of Class 3 are trade vendors with whom the Debtor continues to do business. If the Debtor becomes unable to service its secured debt and be forced to shut down its operations, while it is true that the Class 3 claimants' pre-petition claims would be paid in full, some of the Class 3 claimants would lose a valuable customer and continuing source of revenues for their individual businesses.

3.4 CLASS 4 – The equity holders of the Debtor. The Debtor’s equity holders shall retain their ownership interest upon confirmation of this Plan, said interest being of nominal or no value. The Debtor’s business shall continue to be managed by the producer/members of the Debtor, and the producer/members shall continue to be compensated by the Debtor for the goat milk provided to the Debtor by the producer/members. Producer/member Patricia Lund shall continue to be compensated for her services as marketing director of the Debtor as long as she holds this position. The producer/members are not receiving equity from the Debtor through dividends or equity holder draws, and the Debtor shall pay all creditors in full within seven (7) years of confirmation.

**ARTICLE 4
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

4.1 Any and all executory contracts or unexpired leases to which the Debtor was a party as of the Petition Date shall be deemed rejected as of the Effective Date, *except* with respect to the following parties:

4.1.1 Pasture Pride Cheese LLC. The Confirmation Order shall authorize and approve the Debtor’s assumption of its verbal agreement with Pasture Pride Cheese LLC for the lease of a cheese storage facility. No amount is required to cure any outstanding defaults under the contract.

**ARTICLE 5
IMPLEMENTATION OF THE PLAN**

5.1 To effectuate the proposed Plan, the Debtor shall continue its operations in producing dairy goat products for wholesale and retail sale, and will utilize profits, revenues, income from operations, and cash on hand on the Effective Date.

5.2 The Debtor shall retain all property of the estate, no transfer of estate property being anticipated at this time except as may be particularly set forth herein. The Debtor reserves the right to sell or transfer any of its property, with the proceeds to be distributed to lien holders according to their priorities.

5.3 All outstanding judgment liens, if any, shall be satisfied upon the Effective Date of the Plan, and all pending suits shall be dismissed, except as particularly set forth herein.

5.4 Interest on all allowed secured claims shall commence upon the Effective Date of the Plan.

5.5 Unless otherwise expressly set forth herein, payments to creditors under the Plan shall commence within 30 days from the Effective Date of this Plan.

5.6 The Debtor may prepay any amount to any Class at any time without penalty.

5.7 No distributions of under \$5.00 shall be made by the Debtor, and no payments shall be made on claims under that amount. Any distribution checks which have not been negotiated and cleared six months after their distribution may be cancelled by the Debtor without further liability for that distribution.

5.8 All distributions shall be mailed to creditors at the addresses shown on the Debtor's schedules, except those creditors who have filed Proofs of Claim or notices of appearance in this action shall have their distribution checks sent to the addresses shown on those documents. Any creditor may change the address for mailing of its distribution check by written notice to counsel for the Debtor. Any distribution checks properly sent to such addresses which are returned shall become the property of the Debtor without further liability for such distributions.

5.9 Confirmation of this Plan shall not preclude or estop the Debtor from pursuing any claims of the estate, including any Avoidance Actions, nor any other claims against any of the Debtor's creditors for offset.

5.10 The Reorganized Company. The Debtor shall emerge from Bankruptcy as the Reorganized Company, with all of the rights, powers, duties and obligations as set forth below.

- (a) Vesting of all Property. Except as expressly provided in this Plan, on the Effective Date, all assets of the Debtor's Bankruptcy Estate shall vest in the Reorganized Company.
- (b) Governance, Powers and Duties. On and after the Effective Date, the holders of the Interests in the Debtor shall be the managing shareholders of the Reorganized Company, and the Reorganized Company may operate its business and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code and the Court. The Reorganized Company shall also have the powers, duties, and obligations set forth in this Plan. On and after the Effective Date, all actions required of the Debtor shall be taken by the Reorganized Company, or its designee, in the name of and on behalf of the Debtor and its bankruptcy estate. The Reorganized Company shall be authorized to execute documents on behalf of the Debtor and its bankruptcy estate. The duties, responsibilities and obligations of the Reorganized Company include, but are not limited to, all matters for which the Court is retaining jurisdiction, including the following:
- making Distributions under the Plan;
 - preparation and filing of tax returns, on behalf of the Debtor, its bankruptcy estate, including the right to request a determination of tax liability as set forth in Section 505 of the Bankruptcy Code;
 - requesting and receiving of W-9 federal tax forms for any party who is entitled to receive a distribution on account of a Claim or Interest;

- prosecution and resolution of Causes of Action, if any, including any Avoidance Actions;
 - Claims objections and reconciliation;
 - payment of any post-confirmation fees due to the Office of the United States Trustee; and
 - the compromise and settlement of Claims, Causes of Action, and other proceedings and matters.
- (c) Attorney Client Privilege to Extend to Reorganized Company. The Reorganized Company shall stand in the same position as the Debtor with respect to any right the Debtor may have to an attorney-client privilege, the work product doctrine, or any other privilege against production, and the Reorganized Company shall succeed to all of the Debtor's rights to preserve, assert or waive any such privilege.
- (d) Retention of Professionals. The Reorganized Company may retain such attorneys (including special counsel), accountants, advisors, expert witnesses, and other professionals as he shall consider advisable without necessity of approval of the Court. Persons who served as professionals to the Debtor prior to the Effective Date may serve as professionals to the Reorganized Company. The fees and expenses of the Reorganized Company and professionals retained by him shall be paid by him in the ordinary course of business and without Court review or approval.
- (e) Causes of Action Retained and Preserved. All causes of Action that are not otherwise compromised, settled, released or waived pursuant to the terms of this Plan shall be retained by the Reorganized Company and preserved. Except as otherwise expressly provided in the Plan, the Reorganized Company retains all rights, claims, defenses, setoffs, recoupment, and causes of action the Debtor or its estate may have against any third parties, and may pursue and/or enforce such retained rights, claims, defenses or causes of action in accordance with applicable non-bankruptcy law.
- (f) Capital Gains Taxes. Any taxes payable on capital gains realized by the Debtor as a result of the disposition of certain assets under the Plan, or by any person or entity contributing assets to the Debtor under the Plan, shall be paid when and as they become due. The Debtor reserves the right to change the contemplated structure of the Reorganized Company, including the ability to decline any assets that would be transferred to it under this Plan, in order to minimize the overall tax liability; provided, that such changes shall not relieve the Debtor from the obligation to treat Claims as provided in Articles 3.
- (g) Bar Date and Resolution of Claims. All holders of Contested Claims, including unpaid Administrative Claims and professional fees, must file with

the Court their final applications for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date within ninety (90) days after the Confirmation Date and in accordance with the substantive and procedural requirements in the Bankruptcy Code. The Reorganized Company shall be responsible for the resolution of Claims, and shall have standing to object to the allowance of any Claim and to assert and prosecute any counterclaim relative thereto (without prejudice to any right of any other party in interest to do so under applicable law). All such objections and counterclaims shall be filed within one-hundred twenty (120) days after the Confirmation Date, or within such further time as may be fixed by the Court on motion of the Reorganized Company filed within such 120-day period.

- (h) Unresolved Claims. If on a date on which payments are made on account of the Allowed Claims of a given class, there exist any Unresolved Claims in such class, the amount of cash distributed to holders of Allowed Claims in that class shall be determined as if all Unresolved Claims were Allowed Claims in the full amount claimed by the holders thereof (or in such lesser amount as the Court determines by Final Order) and the Reorganized Company shall, in such circumstances, hold in a separate reserve account the cash that would have been distributed to the holders of the Unresolved Claims for such class if the full amount of their Claims, or such lesser amount as the Court determines, were Allowed Claims on such distribution date. Interest earned on cash in the reserve account shall likewise be added to the balance of the reserve account, which shall be shared pro rata among the Claims of such class in accordance with the terms of this Plan.

To the extent that an Unresolved Claim becomes an Allowed Claim after payments are made on account of Allowed Claims in such class, the Reorganized Company shall, as soon as practicable thereafter, distribute to the holder of the newly Allowed Claim the amount of cash that such holder would have received to date had its Claim been an Allowed Claim as of the Effective Date. To the extent that all or a portion of any Unresolved Claims are disallowed, as part of the next distribution, the Reorganized Company shall distribute to each holder of an Allowed Claim, and reserve for each remaining Unresolved Claims in the same class as such disallowed Claims, a pro rata share of the amount held in reserve for the disallowed portion of the Unresolved Claims.

ARTICLE 6
RETENTION OF JURISDICTION BY THE COURT

After the Confirmation Date, the Court may retain jurisdiction, and if the case is closed reopen it, for the following purposes, or as otherwise permitted by law:

6.1 Objections to Claims. To hear and determine any objections to the allowance of Claims, and requests for the estimation or liquidation of Claims.

6.2 Fee Applications. To hear and determine any and all applications for compensation of professional services and disbursements.

6.3 Avoidance Actions. To hear and determine any Avoidance Action or other proceedings to set aside (or preserve for the benefit of the Estate) or recover any property under applicable provisions of the Bankruptcy Code or other federal or state law.

6.4 Recover Estate Assets. To recover all assets of the Estate, wherever and however located.

6.5 Pending Matters. To hear and determine any pending applications, motions, adversary proceedings, and other contested matters not resolved by the Plan.

6.6 Modification of Plan. To modify the Plan to the extent permitted by the Plan and the applicable provisions of section 1127 of the Bankruptcy Code.

6.7 Enforcement of Payments, Rights, and Interests. To enforce the terms and provisions of payments, rights, and interests required or created by the Plan.

6.8 Executory Contracts and Unexpired Leases. To hear and determine all Claims or controversies arising from the assumption or the rejection of any executory contracts or unexpired leases and to consummate their assumption or the rejection.

ARTICLE 7
CLOSING AND REOPENING OF THE CASE

7.1 Closing. Upon substantial consummation of the Plan, the Debtor may apply for an order closing the case under section 350(a) of the Bankruptcy Code. The Plan shall be deemed to be substantially consummated after (a) the order confirming the Plan has become final; (b) the Debtor or the Reorganized Company has assumed the business of the management of the property dealt with by the plan; (c) payments under the Plan have commenced, and (d) all motions, applications, contested matters, and adversary proceedings have been finally resolved.

7.2 Reopening. The case may be reopened pursuant to Bankruptcy Code § 350(b) to administer assets, to grant the Debtor other relief, to seek conversion or dismissal upon occurrence of a subsequent material default under the plan, to hear and resolve any matter or proceeding over which the Court has retained jurisdiction, or for other cause.

**ARTICLE 8
OTHER REQUIRED PROVISIONS**

8.1 Any payments made or to be made by the Debtor for services or for costs and expenses in connection with this case, or in connection with the Plan and incident to this case, have been approved by, or are subject to the approval of the Court, as reasonable.

8.2 All quarterly fees payable under 28 U.S.C. Section 1930 shall be paid on or before the effective date of the Plan, as required by 11 U.S.C. Section 1129(a)(12). The reorganized Debtor shall continue to file quarterly fee statements and pay quarterly fees when due until this case is converted, dismissed, or closed. The Bankruptcy Court shall retain jurisdiction necessary to enforce the provisions of this paragraph.

8.3 Confirmation of this Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor under this Plan.

8.4 The Debtor has no retirement benefits which are required to be continued under 11 U.S.C. Section 1129(a)(13).

**ARTICLE 9
CONCLUSION**

The proposed Plan set forth herein reflects the Debtor's best efforts to reorganize in an orderly fashion. The Plan attempts to provide full payment to secured creditors and a substantially greater dividend to unsecured creditors than they are likely to receive if Debtor liquidates its assets.

This Plan deals fairly and equitably with all of the creditors involved and approval of this Plan is in the best interests of the Debtor's creditors.

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Dated: October 24, 2016.

Krekeler Strother, S.C.

By: 
Eliza M. Reyes, State Bar No. 1030764
Jennifer M. Schank, State Bar No. 1077110

*Attorneys for Southwest Wisconsin Dairy Goat
Cooperative*

**2901 West Beltline Hwy, Suite 301
Madison, WI 53713
Phone: 608-258-8555
Fax: 608-258-8299
ereyes@ks-lawfirm.com
jschank@ks-lawfirm.com**

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WISCONSIN

In re:

SOUTHWESTERN WISCONSIN DAIRY
GOAT PRODUCTS COOPERATIVE

Chapter 11
Case No. 3-16-11994-rdm

Debtor and Debtor-in-Possession.

BALLOT FOR ACCEPTING OR REJECTING
DEBTOR'S PLAN OF REORGANIZATION
DATED [DATE]

On September 16, 2016, Southwestern Wisconsin Dairy Goat Products Cooperative, the debtor and debtor-in-possession in the above-captioned Chapter 11 Case (the "Debtor"), by its attorneys, Krekeler Strother, S.C. filed a Plan of Reorganization dated _____, 2016 (the "Plan"). The Court approved the Disclosure Statement dated _____, 2016 with respect to the Plan (the "Disclosure Statement"). The Debtor's Disclosure Statement provides information to assist you in deciding how to vote your ballot. If you do not have a copy of the Debtor's Disclosure Statement, you may obtain a copy from:

Attorney Eliza M. Reyes
KREKELER STROTHER, S.C.
2901 West Beltline Highway
Suite 301
Madison, WI 53713

Court approval of the Debtor's Disclosure Statement does not indicate approval or confirmation of the Debtor's Plan by the Court.

You should review the Debtor's Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and your classification and treatment under the Plan. Your [claim] [equity interest] has been placed in Classes under the Plan.

If your ballot is not received by Attorney Reyes on or before _____ and such deadline is not extended, your vote will not count as either an acceptance or rejection of the Debtor's Plan.

If the Plan is confirmed by the Bankruptcy Court it will be binding on you whether or not you vote.



**ACCEPTANCE OR REJECTION OF THE PLAN OF REORGANIZATION
DATED _____, 2015, FILED BY DEBTOR, SOUTHWESTERN
WISCONSIN DAIRY GOAT PRODUCTS COOPERATIVE**

[If the voter is the holder of a secured, priority, or unsecured priority claim:]

The undersigned, the holder of a Class [] claim against the Debtor in the unpaid amount of _____ and no/100ths Dollars (\$_____).

[or, if the voter is the holder of a bond, debenture, or other debt security:]

The undersigned, the holder of a Class [] claim against the Debtor, consisting of _____ Dollars (\$_____) principal amount of *[describe bond, debenture, or other debt security]* of the Debtor. (For purposes of this Ballot, it is not necessary and you should not adjust the principal amount for any accrued or unmatured interest.)

[or, if the voter is the holder of an equity interest:]

The undersigned, the holder of Class [] equity interest in the Debtor, consisting of _____ shares or other interests of *[describe equity interest]* in the Debtor;

(Check one box only)

[] ACCEPTS THE DEBTOR'S PLAN OF REORGANIZATION

[] REJECTS THE DEBTOR'S PLAN OF REORGANIZATION

Dated: _____, 201_.

Print or type name:

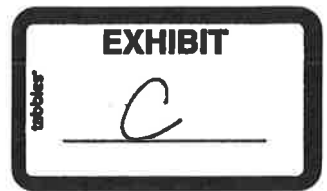
Signature: _____

Title *(if corporation or partnership)*:

Address:

RETURN THIS BALLOT TO:

KREKELER STROTHER, S.C.
Attorney Eliza M. Reyes
2901 West Beltline Highway
Suite 301
Madison, WI 53713
608-258-8555



Mt. Sterling Co-Op Creamery
Income Statement - 12 Periods

	2016 September	2016 October	2016 November	2016 December	2017 January	2017 February	2017 March	2017 April	2017 May	2017 June	2017 July	2017 August	2017 September
Revenues													
Sales-Goat Cheese	136,826.00	147,731.00	116,033.00	114,325.00	\$95,681.00	115,118.00	119,981.00	122,181.00	115,000.00	120,500.00	113,023.00	119,204.00	136,826.00
Retail Sales - Cow Cheese & MI	22,942.96	40,882.29	2,207.92	1,712.68	680.83	692.15	729.68	1,228.54	1,205.22	1,481.40	2,328.86	2,333.56	22,942.96
Sales-Organic Goat Cheese	867.42	552.08	483.44	48.28	59.62	344.56	162.08	16.00	366.16	170.57	341.36	208.08	867.42
Sales-Goat Milk Butter	1,073.03	15.90	0.00	967.41	0.00	0.00	0.00	0.00	2,000.00	2,346.73	2,230.00	3,523.06	1,073.03
Fluid Milk Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,382.24	0.00	0.00	0.00	0.00	0.00
Freight Income	2,307.35	1,275.15	1,462.42	1,081.16	1,637.79	2,418.81	1,912.30	680.82	1,294.34	1,297.32	1,975.81	1,273.68	2,307.35
Sales Discounts	(1,005.90)	(2,115.04)	(1,110.86)	(1,195.74)	(1,886.81)	(935.61)	(686.10)	(903.26)	(541.44)	(1,035.26)	(1,290.76)	(612.53)	(1,005.90)
Miscellaneous Income	168.00	20.18	12.50	334.50	0.00	596.90	0.00	12.00	0.00	0.00	73.21	0.00	168.00
Total Revenues	162,936.55	188,361.56	119,088.42	117,273.29	96,172.43	118,234.81	122,098.96	143,597.34	119,324.28	124,760.76	108,798.01	125,929.85	162,936.55
Cost of Sales													
Milk Purchased-Members	34,681.00	32,500.00	13,005.00	16,500.00	8,670.00	21,676.00	47,686.00	45,500.00	45,500.00	47,686.00	52,021.00	43,351.00	34,681.00
Milk Purchased-Shippers	2,500.00	2,500.00	1,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,500.00	2,500.00
Milk Purchased-Outside	41,500.00	41,500.00	30,000.00	30,000.00	0.00	17,500.00	17,500.00	20,000.00	40,000.00	40,000.00	40,000.00	20,000.00	41,500.00
Outside Manufacturing	360.00	1,689.45	0.00	581.30	678.40	921.60	940.80	0.00	1,470.00	212.00	2,654.20	560.00	360.00
Manufacturing-Wages	14,363.57	23,232.71	12,499.21	7,631.85	8,513.86	9,760.25	16,420.25	21,183.69	13,508.84	13,685.00	7,761.86	12,159.21	14,363.57
Manufacturing-Workers Comp In	538.84	538.84	538.84	3,514.91	538.84	538.84	538.84	538.84	538.84	538.84	538.84	538.84	538.84
Manufacturing-Health Insurance	171.72	225.00	403.09	200.00	150.00	150.00	1,288.44	225.00	150.00	150.00	8,190.09	150.00	171.72
Manufacturing-Benefits (401K)	298.91	446.32	260.83	(814.76)	216.48	247.68	428.80	488.15	293.83	306.11	260.53	259.52	298.91
Manufacturing-Payroll Tax Exp	3,045.81	3,156.23	1,713.53	(4,733.23)	1,407.22	1,674.48	2,974.88	3,264.00	1,770.79	1,826.24	4,047.71	1,580.67	3,045.81
Manufacturing Supplies	898.13	2,073.45	4,162.24	145.05	1,055.22	1,854.11	3,150.51	2,667.67	3,439.81	868.58	2,616.30	2,311.61	898.13
Packaging Supplies	5,908.98	9,868.44	6,469.85	9,722.90	954.44	5,785.19	5,940.21	7,107.75	333.31	5,650.69	5,780.44	4,902.78	5,908.98
Lab Supplies	0.00	314.50	0.00	0.00	0.00	0.00	0.00	589.85	0.00	0.00	0.00	0.00	0.00
Manufacturing-Repairs & Maint.	2,998.21	106.24	3,873.68	(6,465.51)	1,913.89	1,905.03	1,037.56	1,663.06	162.27	1,662.10	4,261.24	1,812.82	2,998.21
Manufacturing Insurance	827.89	827.89	827.89	827.89	827.89	827.89	827.89	827.89	827.89	827.89	8,114.72	827.89	827.89
Manufacturing Utilities	1,050.38	1,069.71	682.62	1,553.15	1,073.76	1,294.76	1,151.15	1,031.86	659.27	3,418.05	941.34	1,079.45	1,050.38
Manufacturing Fuel	392.05	0.00	271.69	321.30	82.49	296.76	350.82	504.70	356.00	332.36	622.10	467.89	392.05
Manufacturing Property Taxes	185.54	185.54	185.54	(1,301.03)	185.54	185.54	185.54	185.54	185.54	185.54	185.54	185.54	185.54
Manufacturing Waste Disposal	1,345.16	1,131.08	771.33	826.00	722.50	737.00	650.00	650.00	740.00	738.00	738.00	739.00	1,345.16
Manufacturing Testing	565.90	624.95	398.50	381.35	440.15	474.20	1,317.05	1,086.25	500.00	225.00	403.60	794.15	565.90
UPS	1,416.92	1,051.24	940.04	1,278.61	1,641.75	769.18	871.16	664.06	1,051.19	774.01	1,237.55	1,549.37	1,416.92
Uniforms	770.26	938.21	741.05	1,017.63	835.28	661.41	748.82	943.74	787.38	787.38	928.62	737.47	770.26
Trucking-Workers Comp Ins.	129.40	129.40	129.40	129.40	129.40	129.40	129.40	129.40	129.40	129.40	129.40	129.40	129.40
Trucking-License & Permits	0.00	1,381.00	80.00	0.00	0.00	80.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trucking-Repairs & Maintenance	0.00	0.00	3,343.32	0.00	0.00	0.00	0.00	0.00	189.89	0.00	0.00	0.00	0.00
Trucking-Fuel	173.15	87.55	94.91	0.00	94.12	108.85	0.00	234.90	74.50	91.01	91.95	153.67	173.15
Trucking-Insurance-General	44.54	44.54	44.54	44.54	44.54	44.54	44.54	44.54	44.54	44.54	44.54	44.54	44.54
Trucking Expense- Milk	3,500.00	3,500.00	3,500.00	0.00	590.00	1,200.00	3,500.00	3,500.00	3,700.00	3,700.00	3,700.00	3,700.00	3,500.00
Trucking Expense- Freight	0.00	0.00	0.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	663.85	0.00	0.00
Cheese Purchases	15,119.51	16,082.69	1,929.59	458.57	1,041.87	91.70	344.20	1,743.30	1,969.62	628.57	2,782.59	11,619.97	15,119.51
Goat Cheese Purchased	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retail Purchases-Other	2,573.10	2,312.13	0.00	90.60	28.09	86.14	799.96	36.00	186.54	201.20	0.00	1,234.19	2,573.10
Total Cost of Sales	135,358.97	147,517.11	88,366.69	62,110.52	31,849.94	69,000.55	108,826.82	114,810.19	118,563.61	124,668.51	148,716.01	113,388.98	135,358.97
Gross Profit	27,577.58	40,844.45	30,721.73	55,162.77	64,322.49	49,234.26	13,272.14	28,787.15	760.67	92.25	(39,918.00)	12,540.87	27,577.58



SOUTHWESTERN WISCONSIN DAIRY GOAT COOPERATIVE

LIQUIDATION ANALYSIS

	FMV	Debt	Wisconsin Exemption	Equity
Dairy Plant (505 Diagonal St)	\$ 101,900.00	580,572.41 Peoples State Bank	n/a	n/a
	\$ 7,133.00	less 7% cost of sale		
	<u>\$ 94,767.00</u>	<u>\$ 580,572.41</u>		
Office bldg (aka house at 405 Diagonal St)	\$ 50,900.00		n/a	n/a
	\$ 3,563.00	less 7% cost of sale		
	<u>\$ 47,337.00</u>			
Cash	\$ -		n/a	n/a
Peoples State Bank (- 7381.45) - Business Checking	\$ -		n/a	n/a
Peoples State Bank (- 34,207.91) - Business Checking	\$ -		n/a	n/a
Kerndt Brothers - Savings account	\$ 100.38		n/a	n/a
Kerndt Brothers - Checking account	\$ 25.00		n/a	n/a
Kerndt Brothers - Checking account	\$ 25.00		n/a	n/a
90 days or less: Accounts receivable	\$ 163,751.17		n/a	n/a
Cheese inventory as of May 31, 2016	\$ 519,185.00		n/a	n/a
Total Inventory as of March 31, 2016	\$ 80,463.86		n/a	n/a
Office Store and Equipment	\$ 55,987.00		n/a	n/a
1996 Ford Truck, VIN#1FDNF70J0TVA13971	\$ 11,975.00		n/a	n/a
1995 International Truck, VIN#1HTSCACN7SH611292	\$ 6,000.00		n/a	n/a
2003 Chevrolet Sport Utility, VIN#1GNNDT13X43K171468	\$ 3,881.00		n/a	n/a
Cheese Production Equipment	\$ 177,632.75		n/a	n/a
Registered trademark - "Mt. Sterling Co-op Creamery"	\$ -		n/a	n/a
Formulas/recipes for Debtor's products	\$ -		n/a	n/a
Dairy Plant License	\$ -		n/a	n/a
Milk Contractor License	\$ -		n/a	n/a
Grade A Bulk Milk Tanker Cleaning Facility Permit License	\$ -		n/a	n/a
Customer Lists for Retail/Wholesale	\$ -		n/a	n/a
Total Cash thru Customer Lists	\$ 969,026.16			
Total Real Estate	\$ 142,104.00			
	<u>\$ 1,111,130.16</u>			\$ 1,111,130.16
			Less Priority/Admin. Claims/KS Fees	\$ 16,250.18
			Subtotal	\$ 1,094,879.98
			Less Trustee Fees = 25% of 1st 5,000	\$ 1,250.00
			10% of next \$45,000	\$ 725.00
				<u>\$ 1,092,904.98</u>
Unsecured Claims will be paid in full	8113.46			