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TRUSTEE'S REPORT

RE: ROBBINS, Leo Bruce and Heidi
Case # 99-41532 - Chapter 12

Attorney for Debtor: Brent T. Robinson

HEARING: 1. MOTION TO INCUR SECURED DEBT
2. MOTION TO MODIFY CONFIRMED CHAPTER 12 PLAN
AND ORDER CONFIRMING PLAN

LOCATION: U. S. FEDERAL BUILDING AND COURTHOUSE
801 East Sherman
Pocatello, Idaho

DATE & TIME: Wednesday, February 12, 2003 - 1:30 PM

A. OBJECTIONS
As of February 8, 2003, the Trustee has not received an objection.

B. CHAPTER 12 REVIEW

1. Chapter 12 filed 9/13/99
2. Chapter 12 Plan confirmed 2/23/00
3. Term of Plan is 36 months
4. Date of first Plan payment was 7/28/00
5. Total payments made to date is 28
6. The Plan was to have been completed by 7/28/03
7. This is a calf raising operation

Wp

C. REVIEW OF MOTION TO INCUR SECURED DEBT

1. Secured party Solar Farms and Sunstar Dairy.
2. Not to exceed \$140,000.00
3. Purpose:
 - (A) Pay operating costs until December 2003 to raise calves to an age where they will be of greater value.
 - (B) Pay off balance due on secured debt of S/N Servicing (Key Bank sold their loan to S/N Servicing).
 - (C) Secure post petition debt owed to Solar Farms and/or Sunstar Dairy of \$60,000.00
 - (D) Interest rate of 7%
 - (E) Date of repayment no later than January 2004.
 - (F) Solar Farms and/or Sunstar Dairy shall have a first position in
 - (1) livestock
 - (2) Lien in real property owned by Leo and Barbara Robbins and currently held as collateral by S/N Servicing.
4. TRUSTEE'S RECOMMENDATION
The Trustee will recommend approval of the Motion to Incur Secured Debt.

D. MOTION TO MODIFY CONFIRMED CHAPTER 12 PLAN AND ORDER CONFIRMING PLAN

1. Current business practice
The Debtors buy new born calves from Solar Farms/Sunstar Dairy. Calves are raised to an age and weight to maximize a return, then sold on a monthly basis to pay operating costs and to pay debt service. Per the Plan, they are to maintain a herd number of 650 head.
2. As the price of calves at market time has dropped, the Debtors have had to sell larger numbers of animals to meet operating costs and debt service. This will start a compounding situation whereby Debtors will need to sell lighter weight and younger animals.
3. After several meetings with Debtors, Debtor's Counsel and the Trustee, it was determined there were two options to consider:
OPTION #1 - Liquidate the calf feeding operation now.
OPTION #2 - Continue the calf operation until December 31, 2003, then sell remaining animals and equipment to liquidate debt.
4. The following is a review and comparison of Option #1 and Option #2.

E. OPTION #1 - LIQUIDATE THE OPERATION NOW:

1. The following graph divides all calves on hand into 7 groups. Number, age, weight in each group, current market price per pound per head and estimated total revenue each group would produce.
2. Calf inventory - 12//31/03

Group	# Head	Age	Weight	Price @#	Price @ head	Total Value
1	50	2 weeks	100#		\$40.	\$2,000.
2	100	1 ½ mo	150	.60	\$90.	9,000.
3	100	2 ½ mo	200	.60	120.	12,000.
4	100	3 ½ mo	250	.60	150.	15,000.
5	100	4 ½ mo	300	.60	180.	18,000.
6	100	5 ½ mo	350	.60	210.	21,000.
7	100	6 ½ mo	400	.60	240.	24,000.
	650					101,000.

3. If the entire calf herd is sold today, the total revenue generated would be approximately \$101,000.00.
4. Debtors estimate the value of other assets which could be liquidated as follows:

(A)	Equipment	\$ 44,000.00
(B)	Vehicles	<u>11,600.00</u>
		\$ 55,600.00
(C)	Less liquidation costs 15%:	<u>8,340.00</u>
(D)	Estimated liquidated value:	\$ 47,260.00

5. Debt Service per the Plan to be addressed if estate is liquidated now:

IRS	\$ 6,608.
State of Idaho	732.
CNH - tractor	762.
D. L. Evans suburban	7,144.
SN Servicing cattle, crops, r/e	32,000.
New Holland chopper	9,550.
Republic Leasing	3,216.
Textron baler	5,385.
Waterview pivot	<u>6,825.</u>
	\$ 72,222.
Total unsecured	<u>28,904.</u>
Subtotal	\$101,126.
Plus post petition taxes	<u>26,000.</u>
ESTIMATED TOTAL DEBT:	\$127,126.

6. SUMMARY OF OPTION #1:

(A) Estimated income, cattle	\$101,000.00
(B) Estimated income, equipment	<u>47,260.00</u>
(C) Subtotal	\$148,260.00
(D) Less Debt Service, per Plan	101,126.00
(E) Less post petition taxes, IRS	<u>26,000.00</u>
(F) Subtotal	\$ 21,134.00
(G) Less accounts payable (Solar Farms/Sunstar Dairy) Assuming it would become an Administrative claim	<u>60,000.00</u>
(H) Shortfall	(\$ 38,866.00)

In calculating the summary, it is under the assumption that all creditors listed under debt service in the Plan would be paid. If liquidated today, unsecured creditors listed above in \$28,904.00 would not be paid.

7. Other - Unsecured creditors

- (A) When the Plan was confirmed, it was projected that the payout to unsecured creditors would be approximately 22%.
- (B) The balance due unsecured creditors is approximately \$28,904.00.
- (C) To date, unsecured creditors have been paid 12% of their claim. If the operation is liquidated now, it would be questionable if unsecured creditors would receive additional funds.

F. OPTION # 2 - FEED CALVES TO 12/31/03

1. This option will take into consideration the infusion of funds from the Motion to Incur Secured Credit not to exceed \$140,000.00 and will pay the following:
 - (A) Operating expenses
 - (B) Pay off balance to S/N Servicing
 - (C) Secure post petition debt of Solar Farms and Sunstar Dairy of \$60,000.00
2. The calf feeding operation will continue to 12/31/03.
3. Projected costs to carry animals to 12/31/03:

<u>Expense item:</u>	<u>Total</u>	<u>Monthly</u>
(A) Gas & Oil	\$ 4,800.	\$400.
(B) Grain	10,008.	834.
(C) Hay	10,000.	1,750. (two months)
(D) Vet supplies	2,040.	170.
(E) Power	2,040.	510. Per quarter
(F) Leo's rent	42,000.	9,000. First month Then 3,000. Per mo
(G) Property tax	2,500.	Due June & Dec
(H) Insurance	3,900.	975. Quarterly
(I) Interest approx	<u>8,400</u>	<u>700. Average</u>
TOTAL EXPENSES:	\$79,188.	
Plus interest	<u>6,500.</u>	
	<u>\$85,688.</u>	

Debtor would draw off the new debt as needed on a monthly basis.

Estimated monthly expenses and accumulated amount:

<u>Month</u>	<u>Amount needed</u>	<u>Accumulative</u>
January	\$ 20,000.00	\$ 20,000.00
February	4,890.00	24,890.00
March	5,270.00	30,160.00
April	6,888.00	37,048.00
May	7,672.00	44,720.00
June	7,816.00	52,536.00

Inventory of feed on hand:

Silage	1,400 Ton - enough to last to 12/31/03
Hay	200 Ton - will need to buy two month supply
Grain	Will need to buy \$10,008.00 worth

4. Re-Cap of projected value of calves if held to 12/31/03.
According to the following calculations, each group will gain in value at about \$3,000.00 per month. Based on \$3,000.00 per month gain, the following is the Trustee's projection of value at market time.

It should be noted that in July, group #7 will be ready to market. As each group is marketed in the designated month, the cost of maintaining the herd will go down accordingly.

A revenue stream will start in July.

Group	Present value	No. of months on feed	Sell date	Added value	Trustee's value
1	2,000.	12	Dec	36,000.	38,000.
2	9,000.	11	Dec	33,000.	42,000.
3	12,000.	10	Nov	30,000.	42,000.
4	15,000.	9	Oct	27,000.	42,000.
5	18,000.	8	Sept	24,000.	42,000.
6	21,000.	7	Aug	21,000.	42,000.
7	24,000	6	July	18,000.	42,000.
	101,000.				290,000.
8	Plus rent	for one	year		25,000.
					315,000.

5. Debt Service under the terms of the modified Plan will be paid in December 2003.

Estimated debt service per Modified Plan.

Some amounts will increase due to extension from monthly payments to a payment in December 2003.

Estimated debt service per Modified Plan (continued):

<u>Creditor</u>	<u>Balance</u>
Internal Revenue Service	\$ 6,608.00
State of Idaho	732.00
CNH Tractor	762.00
D.L.Evans, Suburban	7,144.00
New Holland	9,550.00
Republic Leasing	3,216.00
Textron, baler	5,385.00
Waterview, pivot	<u>6,825.00</u>
Subtotal	\$ 40,222.00
Unsecureds (100% payout)	<u>28,904.00</u>
Subtotal	69,126.00
Trustee fee @ 8.75%	<u>6,048.00</u>
Subtotal	75,174.00
Solar Farms & Sunstar Dairy	140,000.00
(This is under the assumption That all funds are used)	
Interest-Solar Farms/Sunstar (Estimated)	10,000.00
Post petition debt	<u>60,000.00</u>
Estimated need for pay out	\$285,174.00

According to the Trustee's calculations, there will be adequate funds by going with Option #2 to pay unsecured creditors 100%.

6. Estimated margin after pay off under Option #2.

(A)	Total income, cattle sales	\$315,000.00
(B)	Total needed for debt service:	<u>285,174.00</u>
(C)	Net margin after pay out:	\$ 29,826.00

(D) Other assets:

In the event there is a short fall of funds needed to pay out, the Debtors will liquidate equipment and vehicles. The following is an estimated value:

(1)	Equipment	\$44,000.00
(2)	Vehicles	<u>11,600.00</u>
	Estimated value:	\$55,600.00

G. SUMMARY AND COMPARISONS OF OPTIONS #1 AND #2:

1. <u>Projected income & expense</u>	<u>Option #1</u> <u>Sell now</u>	<u>Option #2</u> <u>Sell 12/31/03</u>
2. Income:		
Cattle sales	\$101,000.	\$315,000.
Equipment & vehicles	<u>47,260.</u>	<u>0.</u>
TOTAL INCOME	\$148,260.	\$315,000.
3. Expenses:		
Less debt service	\$101,126.	\$ 40,222.
Less post petition taxes	0.	26,000.
Unsecured, 100% pay out		28,904.
Post petition account payable	47,134.	60,000.
Solar Farms/Sunstar Dairy	0.	140,000.
Est. interest- Solar/Sunstar	<u>0.</u>	<u>10,000.</u>
TOTAL EXPENSES:	\$148,260.	\$305,126.
4. Total income:	\$148,260.	\$315,000.
Total expenses:	<u>148,260.</u>	<u>305,126.</u>
MARGIN:	\$ 0.	\$ 9,874.

The above calculation under Option #2 is based on the assumption that \$140,000.00 is used in total. This amount is from the Motion to Incur Secured Debt.

Advantages of continuing the operation to 12/31/03 over selling the operation now:

- (A) 100% pay out to unsecured creditors
- (B) Post petition taxes will be paid in full
- (C) The Debtor will end up with approximately \$9,874.00 cash.
- (D) The Debtor will end up with equipment, free and clear
If needed, the equipment will be sold to retire all debt
- (E) From the financial information provided the Trustee, the benefit of continuing the operation vs. selling out now has demonstrated a benefit to all creditors to continue the operation until December 31, 2003.

H. TRUSTEE'S RECOMMENDATION

The Trustee will recommend approval of the Motion to Modify Confirmed Plan providing the following is considered or included in the Order Approving the Modification of the Plan:

1. This Plan was Confirmed as a thirty six (36) month Plan. The Trustee will ask that it be changed to a four (4) year Plan, or until all creditors in the Modified Plan have been paid in full.
2. According to the Trustee's calculations, cattle sales will start in July. There needs to be a clear understanding whether the funds generated from cattle sales will be used for operating expenses or reserved for debt service. If sales are reserved for debt service, then more of the funds will be need to be used from the funds approved in the Motion to Incur Secured Debt.
3. Providing final negotiations will creditors does not make major changes to the Modified Plan.

DATED this 8th day of February, 2003


Forrest P. Hymas
Chapter 12 Trustee

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