

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION**

In re

UNITED PRODUCERS, INC.

Debtor and Debtor-in-Possession

Case No. 05-55272

Jointly Administered

Chapter 11

Judge: Charles M. Caldwell

**RESPONSE OF UNITED PRODUCERS, INC. TO JUDGMENT CREDITORS
OBJECTIONS TO MOTION TO SELL, AND LEASE, OFFICE SPACE**

NOW COMES, United Producers, Inc., debtor and debtor-in-possession herein (“UPI” or “Debtor”), and for its response to the objection filed by G.E. Cattle Co., Inc., Producer’s Livestock Marketing Association and Harry Hayes (the “Judgment Creditors”) to Debtor’s motion to sell and leaseback certain property (the “Motion”), states as follows:

1. The Judgment Creditors’ first basis for objection to the Motion is that the Motion presumes that UPI will exist and be able to perform under the proposed lease when no plan of reorganization has been approved. Initially, Debtor notes that the Judgment Creditors correctly note that UPI believes that it can perform under the lease and that it will exist for at least the next 3 years. The Joint Plan of Reorganization filed by Debtor and Producers Credit Corporation contemplates that Debtor, although reorganized, will be operating for the duration of the proposed lease. As noted in the Motion, the Debtor has determined in the exercise of its business judgment that the sale and leaseback of the property is in the best interest of Debtor and Debtor’s estate. The Judgment Creditors offer no factual or legal support for the suggestion that UPI should not be authorized to enter the lease because its plan of reorganization has yet to be approved. Taken to its logical extension, this argument would prohibit Chapter 11 debtors from

committing to any long-term arrangement.

Section 363 of the Bankruptcy Code contemplates that debtors may sell, use and lease assets other than in the ordinary course of business. Debtor has articulated a valid business reason for selling its headquarters property. The fact that Debtor's plan has yet to be confirmed, alone, is insufficient to deny the requested relief.

2. Judgment Creditors assert that the Motion does not demonstrate a viable economic justification for the sale or that the lease is a better economic deal than continued ownership of the property. To the contrary, the Motion clearly states that the sale offers Debtor the ability to realize on the value of the property and to lower its debt obligations to CoBank. Further, the lease allows the Debtor, at a market rate of rent, to remain in the property for at least 3 years with the option for another 3 years. While it is true that Debtor could continue to own the property, there is no assurance that the value of the property will continue to appreciate or that should Debtor decide to sell the property at a later date, a buyer will be easily obtained. Third, the lease terms give the Debtor significant flexibility should it determine post-reorganization that downsizing its office space is appropriate.

3. Judgment Creditors' third basis for objection is misplaced. Paragraph 3 of the objection complains that the Motion does not explain why the Debtor cannot get cash for its operations by borrowing on substantially identical terms, for repayment purposes, to the proposed lease. First, Debtor is not looking to identify other sources to borrow from. CoBank is Debtor's primary secured creditor. In that connection, CoBank holds liens on all of Debtor's assets. Thus, even if Debtor was seeking another source of funding, it has no assets to pledge. Second, Debtor does not seek to justify the Motion primarily on grounds that it will have more cash for operations. It is true that owing less to CoBank will lower Debtor's debt service.

However, the sale offers Debtor the opportunity to receive market value for an illiquid asset and to use the cash generated to pay debt. Moreover, the lease provides the Debtor the ability to obtain the benefit of the sale without upsetting Debtor's operations while having the added benefit of giving Debtor future flexibility as to its occupancy costs.

4. Contrary to the Judgment Creditors' assertion, the sale price is supported by sufficient evidence. The property has been appraised for \$765,000. Debtor is receiving that sale price without having to endure the inconvenience and costs associated with an extended marketing period. In addition, Debtor is avoiding the fees it would incur if it retained a broker to represent it in selling the property. As to the lease, in Debtor's judgment, the monthly rental is consistent with the market for commercial office space of similar type, quality and character.

5. Finally, the Motion is not premature. The proposed buyers approached Debtor. Due to certain tax considerations of the Buyer, time is of the essence in completing the sale. Judgment Creditors have offered no reason, much less a legitimate reason for delaying the sale until after approval of Debtor's Joint Plan of Reorganization.

The Judgment Creditors have offered no factual or legal support for their objections to the sale and leaseback. As discussed herein, there is no merit to these objections. Accordingly, Debtor respectfully requests that the Court approve the Motion.

Respectfully submitted,

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CERTIFICATE OF SERVICE

On this 26th day of July, 2005, the above and foregoing was served upon Core Service List #4 by first class mail, postage prepaid, and upon David A. Domina, DominaLawpc, 2425 S. 144th St., Omaha NE by facsimile.

/s/Reginald W. Jackson
Reginald W. Jackson