

**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

**AMENDED JOINT DISCLOSURE STATEMENT OF UNITED PRODUCERS, INC.
AND PRODUCERS CREDIT CORPORATION**

Date: August 24, 2005

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TABLE OF CONTENTS

TABLE OF CONTENTS.....	i
DISCLAIMER.....	1
I. INTRODUCTION.....	3
A. Defined Terms.....	3
B. In General.....	3
II. DESCRIPTION AND HISTORY OF THE DEBTOR.....	4
A. Debtors' Business Operations and Corporate Structure.....	4
1. Debtors' Business Operations.....	4
2. Debtors' Corporate Structure.....	6
a. UPI.....	6
b. PCC.....	7
B. Pre-Petition Events.....	7
1. Background.....	7
2. Debtors' Losses.....	9
3. Litigation Claims.....	9
C. Post-Petition Events.....	15
D. Results of Post-Petition Operations.....	16
III. SUMMARY OF PLAN OF REORGANIZATION.....	16
A. Introduction.....	16
B. Summary of Classification and Treatment of Claims.....	17
1. Unclassified Claims.....	17
2. Classified Claims.....	19

a.	Classified Claims of UPI	19
b.	Classified Interests of UPI	28
c.	Classified Claims of PCC	29
d.	Classified Interests of PCC	34
C.	Implementation of the Plan.....	34
1.	Funds Necessary to Implement the Plan.....	34
2.	Sources of Funding Under the Plan	38
a.	Exit Financing.....	38
b.	Sources of Funding from Debtors' Operations.....	39
c.	Disposition of Assets/Closing of Facilities.....	40
d.	Other Potential Funding Sources	41
e.	Merger of UPHC and UPI.....	41
3.	Corporate Structure and Governance.....	41
a.	Amendment to Articles of Incorporation and Bylaws.....	41
b.	Corporate Governance	42
D.	Executory Contracts and Unexpired Leases	44
1.	Executory Contracts and Unexpired Leases to be Rejected	44
2.	Executory Contracts and Unexpired Leases to be Assumed	44
3.	Compensation and Benefits Program.....	45
E.	Procedure for Resolving Claims.....	46
1.	Bar Dates.....	46
a.	Classified Claims and Interests and Priority Tax Claims	46
b.	Administrative Claims	47
2.	Authority to Prosecute Objections and Compromise Claims	47

F.	Miscellaneous Plan Provisions	48
1.	Preservation of Causes of Action.....	48
2.	Discharge of Claims.....	50
3.	Disbursing Agent	50
IV.	VOTING PROCEDURES AND REQUIREMENTS.....	50
A.	Voting Procedures.....	50
B.	Voting Requirements	51
C.	Ballots and Voting Deadlines	52
V.	CONFIRMATION OF THE PLAN.....	53
A.	Requirements of Confirmation of the Plan	53
1.	Section 1129 Requirements	53
2.	Feasibility.....	53
3.	Best Interests Test.....	54
4.	Cramdown.....	56
a.	Treatment of Impaired Classes Who Reject the Plan	56
b.	Request for Cramdown of Rejecting Impaired Classes	56
c.	Unfair Discrimination and Fair and Equitable Tests	56
B.	Effect of Confirmation.....	58
1.	Binding Effect of Confirmation	58
2.	Vesting of Assets Free and Clear of Liens, Claims and Interests.....	58
3.	Good Faith	58
4.	Post Confirmation Conversion/Dismissal.....	59
5.	Final Decree	59
C.	Confirmation Hearing.....	60
VI.	RISK FACTORS	60

A.	Financial Information.....	60
B.	Business Risks	61
C.	Certain Bankruptcy Risks	61
	1. Risk of Nonconfirmation of the Plan	61
	2. Potential Effect of the Continuation of these Chapter 11 Cases	62
VII.	ALTERNATIVES TO THE PLAN	62
VIII.	TAX CONSEQUENCES OF THE PLAN	63
IX.	CONCLUSION AND RECOMMENDATION.....	63

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO A CERTIFIED AUDIT. THE PLAN PROPONENT IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. COUNSEL FOR THE PLAN PROPONENTS HAS NOT VERIFIED THE INFORMATION SET FORTH HEREIN, ALTHOUGH THEY HAVE NO KNOWLEDGE OF ANY INACCURACIES.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SECURING CONFIRMATION OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO THE HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, OBJECTIONS TO CLAIMS, CAUSES OF ACTION OR OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

SUBJECT TO CERTAIN RESTRICTIONS AND REQUIREMENTS SET FORTH IN THE BANKRUPTCY CODE, THE PLAN PROPONENTS RESERVE THE RIGHT TO ALTER, AMEND, MODIFY, REVOKE OR WITHDRAW THE DISCLOSURE

STATEMENT PRIOR TO CONFIRMATION OF THE PLAN.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN THAT ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE PLAN PROPONENT, WHO IN TURN SHALL DELIVER THAT INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF. THERE CAN BE NO ASSURANCE THAT THE STATEMENTS IN THIS DISCLOSURE STATEMENT WILL BE CORRECT AT ANY TIME AFTER THE DATE OF THIS DISCLOSURE STATEMENT.

I. INTRODUCTION

A. Defined Terms

Unless otherwise defined herein, capitalized terms used in this Disclosure Statement with an initial capital not required by standard capitalization rules shall be defined as set forth in the Plan, or in the Bankruptcy Code if not defined in the Plan. In the event a term is defined in the Plan and in the Bankruptcy Code, the definition in the Plan shall control.

B. In General

United Producers, Inc. and Producers Credit Corporation, debtors and debtors in possession herein, provide this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code. The purpose of this Disclosure Statement is to provide the holders of Claims against and Interests in the Debtors adequate information of a kind and in sufficient detail about the Debtors, their businesses, and the Plan so that holders of Claims and Interests may make an informed judgment about the merits for approving the Plan. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

On _____, 2005, after notice and a hearing, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail to enable hypothetical reasonable investors typical of holders of Claims and Interests under the Plan to make an informed judgment as to whether to accept, reject, or object to the Plan. Approval of this Disclosure Statement by the Bankruptcy Court does not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan.

Each holder of a Claim or Interest is encouraged to review this Disclosure Statement and the Plan before making a decision to accept, reject, or object to the Plan. A copy of the Plan is attached as **Exhibit A** to this Disclosure Statement.

II. DESCRIPTION AND HISTORY OF THE DEBTOR

A. Debtors' Business Operations and Corporate Structure

1. Debtors' Business Operations

UPI is a farmer-owned cooperative dating back to the 1930's. Originally, the cooperative was named Producers Livestock Association. The original cooperative was formed in tandem with the Ohio Farm Bureau for the purpose of providing livestock producers access to competitive markets. This purpose continues to be the central theme of UPI's contemporary mission statement.

During the same formative years, the company's primary subsidiary, PCC, was established to provide farmers access to badly needed operating loans for crops, livestock and general farming operating expenses.

Over the succeeding years, the company evolved and grew through local and regional mergers with similar entities as well as through normal business growth in several mid-western states. In 1999 the company merged with MFA Livestock Association in Missouri and the cooperative's name was changed to United Producers, Inc. Concurrently, business combinations with similar farm cooperatives in Illinois and Michigan were consummated by early 2001.

The rationale and scope of UPI's growth was to continue to provide farmers access to markets, capital and value-added services on a cooperative basis. Currently UPI operates 19 weekly livestock auctions for all species of livestock; 23 collection points for direct movement of livestock and annually markets approximately 3.9 million head of livestock for over 70,000 farmer/Patrons in 7 key states. PCC makes loans to farmers and ranchers in this same territory. Production lending is a key service needed by farmers. The Debtors currently have approximately 150 full time and 400 part time employees.

Over the years of their existence, Debtors have grown to provide critical and unique services to the farmers/producers and packers that have come to rely upon Debtors. As noted, because of the auction sites, livestock collection points and production coordination provided by Debtors, producers have the ability to grow, market and sell their livestock. It is true that for many of the farmer/producers that rely upon Debtors' services, the impact if Debtors were to terminate or curtail operations would be significant. For example, producers would need to identify alternate locations to market their livestock. In most cases, at a minimum that would mean longer travel time, and thus, more expense. In addition, Debtors provide marketing and financial assistance that goes beyond offering a location to dispose of livestock. By specific example, through its Feeder Preference Marketing Agreements ("Feeder Agreements"), UPI provides a risk management tool for the benefit of its producer customers. Feeder Agreements allow producers to have access to the Chicago Mercantile Exchange ("CME") by marketing through UPI. The benefit to customers is that they can lower the risk as to what their livestock will sell for in the market at a future date by allowing them access to the futures and options markets. Further, instead of having to establish their own margin account with CME, UPI customers agree to market livestock through UPI at a specified future delivery date.

Livestock packers also rely upon UPI to a significant degree and would be negatively effected by any fall-off in or termination of UPI's business operations. UPI, because of its large livestock producer base, can virtually guaranty the provision of significant livestock inventory to packers. Thus, packers are able to contract for delivery of product to their customers based upon the product contracted through UPI's producer base.

The Debtors decision to file Chapter 11 was predicated on certain losses and litigation claims sustained as a result of a third party cattle fraud operation described below. The filing

was aimed at preserving access to markets for farmer Patrons, thus insulating them from the impact of the litigation claims. Further, the bankruptcy filing is intended to maximize the return to creditors, both secured and unsecured. Were Debtors to liquidate instead of reorganize, none of its creditors would be paid in full. While the equity of Patron's in UPI and stockholders in PCC will be lost pursuant to the Plan, without the services provided by the reorganized Debtors, the potential disruption for business would be catastrophic to the farmers, packers and others that rely upon Debtors' services.

2. Debtors' Corporate Structure

a. UPI

UPI is an "agricultural cooperative" that is organized under the laws of the State of Ohio. Under Ohio law, agricultural cooperatives are deemed non-profit entities because they are organized for the purpose of serving their patrons. The purpose of UPI is to associate farmer producers and others for their economic benefit through joint action in purchasing services, supplies, equipment and marketing livestock.

As an agricultural cooperative, UPI is not subject to your typical corporate governance structure. UPI does not issue capital stock. Instead, UPI is authorized to issue Capital Credits. These Capital Credits evidence the non-cash portion of patronage refunds and Per Unit Retains allocated and/or distributed to Members, Patrons and/or others in accordance with the Amended and Restated Articles of Incorporation and Second Amended and Restated Bylaws of UPI.

UPI is owned by its Members. A Member is a producer (a person engaged in agricultural production) who is an active Patron of UPI. Each Member of UPI is entitled to one vote in the election of delegates from the Member's member district. Delegates are elected from each member district. Delegates are elected for three year terms and are entitled to one vote in the

election of a director from the member district in which such delegate resides. UPI's Board of Directors consists of sixteen directors elected by delegates from his/her member district. The Board of Directors are authorized to employ a president of UPI who is charged with the day-to-day operations of UPI.

b. PCC

PCC is a subsidiary of UPI. Like UPI, PCC is an agricultural cooperative organized under the laws of the State of Ohio. However, unlike UPI, PCC is a stock cooperative.

PCC's capital stock consists of 1,000 shares of common stock and 400 shares of 6% cumulative "Class A Preferred Stock." All of the issued and outstanding common stock of PCC is owned by UPI. All of the issued and outstanding preferred stock of PCC is owned by Southern States Cooperative, Inc., an unaffiliated third party. Except as otherwise required by law, UPI, as holder of all of the issued and outstanding common stock, possesses full and exclusive voting power for the election of directors of PCC and for all other purposes.

B. Pre-Petition Events

In the years immediately preceding the Petition Date, the Debtors sustained substantial losses, and several claims were asserted against the Debtors, that generally related to the actions of an individual named George Young. The following discusses those losses, the litigation claims and the facts and circumstances surrounding those matters.

1. Background

In October 1999, Producers Livestock Association merged with a similar farmer cooperative in Missouri named MFA Livestock Association. Following this merger, Producers Livestock Association changed its name to United Producers, Inc.

At the time of the merger, MFA Livestock Association held a passive investment in a

Missouri limited liability company named MFA Livestock Services, LLC (“the LLC”). MFA Livestock Association, the surviving entity, owned 75% of the LLC. The other 25% was owned by a company named Professional Business Services, Inc. (“PBS”). PBS was owned jointly by George Young (“Young”) and Kathleen McConnell (“McConnell”). Following the merger, UPI became the owner of the 75% passive investment in the LLC previously held by MFA Livestock Association. The name of the LLC was changed to United Livestock Services, LLC (“ULS”) subsequent to the merger of MFA Livestock Association and Producers Livestock Association.

ULS provided order buying services for cattle producers under business arrangements with George Young and PBS. PBS was the managing partner of ULS. ULS was operated and managed by George Young and Kathleen McConnell throughout the time period that UPI had been a part owner of ULS. UPI had no involvement in the day-to-day operations of ULS.

Young was a well known and highly regarded cattleman in Missouri, Nebraska and other states. He acted on behalf of various of his clients in buying and selling cattle, and also operated (personally or through entities owned and controlled by him) feed lots where cattle were raised and fed.

Following the merger, Debtor UPI engaged in arms-length cattle transactions with ULS and with Young. UPI was, in this regard, one of many that trusted Young and engaged in transactions with Young in reliance upon Young’s representations as well as his reputation in the cattle business.

In August, 2001, Young suddenly and without warning closed the business of ULS. Shortly thereafter, Young, McConnell, PBS, and two entities owned and controlled by Young (Rio Baca, Inc. and Rio Timba, Inc.) filed voluntary petitions for relief under Chapter 7 of the Bankruptcy Code, and an involuntary proceeding under Chapter 11 was commenced against

ULS. Those bankruptcy proceedings were filed and remain pending in the United States Bankruptcy Court for the Western District of Missouri (collectively, “the Missouri Bankruptcy Proceedings”).

Young and McConnell were indicted on several fraud and other charges in connection with their cattle businesses. They ultimately entered into plea agreements in which they pled guilty to certain charges. They are now incarcerated in federal prison.

2. Debtors’ Losses

Debtors were among the many victims of the fraudulent actions of Young and McConnell. Debtors’ losses resulted from cattle bought by Young for which UPI was not paid. In addition, the value of UPI’s investment in ULS (through the merger) was lost. Debtors filed proofs of claims in the Missouri Bankruptcy Proceedings in an effort to recover their losses. Debtors claims were not disputed by the trustees. As a consequence of these bankruptcies and the cost and expenses related to the Cattle Litigation and Hayes Litigation, the Debtors sustained losses (excluding the Judgment Amounts) in excess of \$14,000,000.¹

3. Litigation Claims

Lawsuits were filed against the Debtors following Young’s closing of ULS’s business in August 2001. In summary, these suits were filed by persons and/or entities who had done business with Young and/or McConnell for many years and who claimed to have sustained losses when Young and ULS ceased operations. These persons and entities filed claims in one or more of the Missouri Bankruptcy Proceedings to recover those losses. However, they also filed

¹ During the course of the Missouri Bankruptcy Proceedings, the trustees of the bankruptcy estates of Young, ULS, and PBS asserted claims against the Debtors to avoid and recover transfers alleged to constitute preferences pursuant to section 547 of the Bankruptcy Code. Thereafter, Debtors and the trustees in the Missouri Bankruptcy Proceeding reached a global settlement of all issues. Pursuant to this settlement, the preference cases that remained pending against the Debtors were dismissed, and the Debtors waived any claims against the bankruptcy estates. In addition, Debtors paid approximately \$100,000 and released claims of approximately \$110,000.

suits against UPI and PCC. Although UPI and PCC were, like many of these Plaintiffs, victims of Young and McConnell, the Plaintiffs asserted claims on varying theories (including breach of contract, breach of fiduciary duty, fraud and violation of the Packers and Stockyards Act) generally seeking to hold UPI and/or PCC responsible for the actions of Young of which they had no knowledge and in which they had no participation.

The Plaintiffs' claims were submitted to juries that returned verdicts against UPI or PCC, as explained below. Judgments were entered against UPI and PCC on those verdicts, and those judgments are now on appeal. These judgments total in excess of \$19 million.

1. GE Cattle, Inc. and Curreys of Nebraska, LLC v. United Producers, Inc.; Loren E. Eckert and Mary Eckert, Husband and Wife, and Elkhorn Valley Bank & Trust Co., Case No. 05-1636. This action is now pending before the United States Court of Appeals for the Eighth Circuit. The case originated in the United States District Court for the District of Nebraska, where it was docketed as Case No. 8:01CV557 and Case No. 8:02CV566. This matter is defined in the Plan as the "Cattle Litigation."

Plaintiffs in this case asserted a claim for breach of contract, a claim for conversion, and a claim for a violation of the Packers and Stockyards Act of 1921, 7 U.S.C. §181 et seq. Plaintiffs claimed that they each entered into a contract with UPI under which UPI agreed to sell and deliver cattle to them. UPI disputed all of the plaintiffs' claims and asserted applicable defenses.

This dispute arose as follows: The plaintiffs had engaged in cattle transactions for many years with Young. Some of the plaintiffs had borrowed money to buy cattle through Young, with the cattle serving as collateral for those loans. Young acted as the agent for the plaintiffs in buying and selling cattle, and in raising and feeding the cattle of the plaintiffs. Each year, the plaintiffs would sell their entire herd of cattle, pay back their outstanding loans, and purchase

replacement cattle with additional loans, all pursuant to their long standing relationship with Young and his companies, including the LLC.

In approximately April 2001, Young, and ULS through Young, sought a loan from Debtor UPI in order to complete Young's annual transaction with the plaintiffs. In other words, it was time for ULS to pay plaintiffs the proceeds from the supposed disposition of their livestock. UPI declined to make a loan in the amount originally requested by Young, but did agree to make a series of short-term loans to ULS, in amounts of approximately \$500,000, which funds were then used by ULS and Young to finance their cattle transactions with the plaintiffs. Specifically, the funds loaned by UPI to ULS, in the aggregate amount of \$15,000,000, were used by ULS to pay the plaintiffs for their sales of cattle. Debtors have confirmed that those payments were actually made. The agreement between UPI and ULS/Young was that each short-term loan would need to be paid back before an additional loan was made. Those short-term loans were repaid by ULS. Young and/or McConnell caused ULS to repay these loans by directing the plaintiffs, when making payment to Young and ULS, to direct their checks to UPI instead of to ULS.² Accordingly, the funds paid to UPI by ULS, from UPI's standpoint, were repayments of actual extensions of credit made totaling \$15,000,000. During this entire period, no contractual relationship existed between plaintiffs and UPI; UPI was not loaning money to the plaintiffs or selling cattle to them.

In this civil action the plaintiffs contended that they believed they were entering into contracts directly with UPI to buy cattle from UPI. UPI disputed and continues to dispute that contention. A jury trial was held in September of 2004. The jury returned a verdict in favor of

² The plaintiffs were paying ULS and Young because ULS, supposedly, was incurring expenses and costs related to the acquisition and care of additional livestock on plaintiffs' behalf. After ULS ceased operation, it was discovered that ULS and Young were perpetrating a fraud in that the cattle were never purchased.

plaintiffs on each of their claims in an amount of \$15,002,107.72. On October 13, 2004, the Court awarded prejudgment interest to plaintiffs in the amount of \$2,060,323.69 for a total judgment in favor of the plaintiffs and against UPI in the amount of \$17,062,431.41.

UPI has filed an appeal with the United States Court of Appeals for the Eighth Circuit. The matter remains pending on appeal, which appeal has been stayed by this bankruptcy case.

2. Producers Livestock Credit Corporation and Harry Hayes v. United Producers, Inc., Case No. 05–1834. This case is now pending before the United States Court of Appeals for the Eighth Circuit. The case originated in the United States District Court for the District of Nebraska, where it was docketed as Case No. 8:02CV247. This matter is referred to in the Plan as the “Hayes Litigation.”

Plaintiffs’ claims arose from a transaction in July 2001 between Plaintiff Hayes and Plaintiff Producers Livestock Credit Corporation (“PLCC”) [an entity unrelated to and; in fact, a primary competitor of Debtors] in which Hayes borrowed money from PLCC to be used to purchase cattle from Young and ULS. UPI was not a participant in either of those transactions. Both plaintiffs in the case had engaged in cattle transactions with Young prior to this transaction, Hayes for many years.

Plaintiffs asserted that UPI was responsible for Hayes’ failure to repay the loan he obtained from PLCC. Plaintiffs claimed that UPI had engaged in a “joint venture” with ULS, and that UPI had “fraudulently” induced PLCC to make the loan to Hayes. UPI denied the plaintiffs’ claims and asserted applicable defenses.

A jury trial was held in January of 2005. The jury returned a verdict in favor of plaintiffs on each of their claims. On February 1, 2005, the Court entered judgment in favor of the PLCC and against UPI in the amount of \$1,237,029.43; it also entered judgment in favor of the Hayes

and against UPI in the amount of \$136,500, plus costs. Costs were later taxed against UPI in the amount of \$948.48.

UPI has filed an appeal with the United States Court of Appeals for the Eighth Circuit. The matter remains pending on appeal, which appeal is stayed by this bankruptcy case.

3. Everett W. Rogers and Deborah M. Rogers, individually, and Everett W. Rogers dba Circle R. Ranch v. Producers Credit Corporation, United Producers, Inc. and Mark Little, Case Nos. 04-4136, 05-1241 (PCC appeal and amended appeal) and 04-4134, 05-1247 (Plaintiffs' appeal and amended appeal). This action is now pending in the United States Court of Appeals for the Eighth Circuit, which appeal is stayed by this bankruptcy case. The case originated in the United States District Court for the Western District of Missouri, where it was docketed in the district court as Case No. 01-6126-CV-SJ-SOW. This matter is referred to in the Plan as the "Rogers Litigation."

The dispute arose as follows. PCC initially entered into a loan agreement with plaintiffs in February 2000. Plaintiffs obtained a second loan from PCC in December 2000, pursuant to which PCC loaned plaintiffs several million dollars. Plaintiffs used the loan proceeds to purchase cattle from Young (with whom Plaintiff Everett Rogers had been engaged in the cattle business for many years) and ULS. The initial loan was paid in full in June 2001. After ULS ceased operations in August 2001, PCC deemed itself insecure and accelerated the second loan. Plaintiffs then commenced this action in which they sought to impute liability upon UPI and/or PCC for the conduct of ULS, Young and McConnell.

A motion to dismiss filed on behalf of Mark Little, an officer of PCC was sustained. Prior to trial, the Court entered summary judgment in favor of UPI and PCC on several of plaintiffs' claims. At trial, which was held in August 2004, the Court ruled that UPI was entitled

to judgment on any remaining claims of plaintiffs, and that PCC was entitled to judgment on all but one of the plaintiffs' remaining claims against PCC (breach of fiduciary duty). The court also ruled that PCC was entitled to judgment on its counterclaim, in the amount of approximately \$3.6 million. On the plaintiffs' breach of fiduciary duty claim, however, the jury returned a verdict in the amount of \$4.2 million in plaintiffs' favor and against PCC on this claim.

After deciding several post-trial motions and issues, the court on December 21, 2004, entered final judgment that included: (a) judgment in favor of UPI and against the plaintiffs on all of plaintiffs' claims; and (b) a "net" judgment in favor of the plaintiffs and against PCC in the amount of \$365,541.40.

The judgment was appealed by both the plaintiffs and PCC to the United States Court of Appeals for the Eighth Circuit. Those appeals remain pending.

As described later in this Disclosure Statement, if the Plan is confirmed, the claims of the plaintiffs in the Rogers Litigation against PCC will be discharged. However, PCC will retain the right to prosecute its appeal and/or the right to pursue its claims against the Rogers. PCC has yet to make a determination whether it will pursue such claims. First, because of the net judgment entered by the court, PCC would first have to prevail on appeal. Further, despite the discharge of the Rogers' claims against PCC, the Rogers may be entitled to assert the claims alleged against PCC in the Rogers Litigation as defenses to the claims of PCC. Finally, there is the question of whether any judgment against the Rogers would be collectible. Accordingly, PCC may determine that it is not the best use of its assets to pursue such actions. It should be noted that should PCC pursue its claims against the Rogers and recover a judgment, such judgment would constitute the collateral of CoBank and if paid would be used to further reduce PCC's outstanding obligations to CoBank.

C. Post-Petition Events

On April 1, 2005, the Debtors filed their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On the Petition Date, the Debtors filed their motions seeking the joint administration of their bankruptcy cases. On April 4, 2005, the Bankruptcy Court entered an order approving the joint administration of the Debtors' cases under case number 05-55272.

On April 2, 2005, the Debtors filed a motion seeking, among other things, authority to enter into post petition financing agreements with CoBank (the "DIP Financing Motion"). On April 18, 2005, the Bankruptcy Court entered its final order (the "DIP Financing Order") approving the DIP Financing Motion. Pursuant to the DIP Financing Order, the Bankruptcy Court authorized the Debtors to obtain post-petition financing in the aggregate principal amount of up to \$70,986,929.81 (defined in the Plan as the "Postpetition DIP Facility"). The Postpetition DIP Facility is secured by all property of the Debtors as more fully described in the DIP Financing Order.

The Bankruptcy Court has also entered certain other orders of note. On April 5, 2005, an order extending the time to file schedules and the statement of financial affairs (collectively, the "Schedules") was entered granting the Debtor until June 3, 2005 to file the Schedules. The Debtors each filed their Schedules on June 3, 2005.

On April 11, 2005, the Bankruptcy Court entered an order setting the deadline for filing proofs of claim as August 10, 2005. The Bankruptcy Court also entered an order on May 26, 2005, extending the deadline within which the Debtors may assume or reject unexpired leases of non-residential real property to August 27, 2005. The Debtors have filed a second request that is pending before the Court seeking to extend the assumption deadline to October 7, 2005. Finally, on June 9, 2005, the Bankruptcy Court entered an order authorizing UPI to assume certain

livestock executory contracts.

D. Results of Post-Petition Operations

Attached hereto and collectively marked Exhibit F are the Consolidated Statements of Cash Flow Variance Report, Consolidated Statement of Operations Variance Report and Consolidated Balance Sheet Variance Report. The former 2 documents depict the actual revenue and expenses of operations and cash flow for the months of April through June, 2005, compare such results to the plan submitted by Debtors to CoBank as part of the DIP financing, and show the variance. Through June, 2005, Debtors had performed ahead of the DIP financing plan. The third of these documents shows Debtors balance sheet as it existed on the Petition Date and as of June 30, 2005.

III. SUMMARY OF PLAN OF REORGANIZATION

A. Introduction

The following overview and the other descriptions in this Disclosure Statement are qualified in their entirety by reference to the provisions of the Plan and its exhibits. It is urged that each holder of a claim or interest carefully review the terms of this Disclosure Statement and the Plan before voting to accept or reject the Plan.

THE ESTATES OF THE DEBTORS HAVE NOT BEEN SUBSTANTIVELY CONSOLIDATED. ANY CLAIMS HELD AGAINST ONE OF THE DEBTORS WILL BE SATISFIED SOLELY FROM THE ASSETS OF SUCH DEBTOR. EXCEPT AS SPECIFICALLY SET FORTH HEREIN, NOTHING IN THE PLAN OR THIS DISCLOSURE STATEMENT SHALL CONSTITUTE OR BE DEEMED TO CONSTITUTE AN ADMISSION THAT ONE OF THE DEBTORS IS SUBJECT TO OR LIABLE FOR ANY CLAIM AGAINST ANOTHER DEBTOR. THE CLAIMS OF CREDITORS THAT HOLD CLAIMS AGAINST

MULTIPLE DEBTORS WILL BE TREATED AS SEPARATE CLAIMS WITH RESPECT TO EACH DEBTOR'S ESTATE.

B. Summary of Classification and Treatment of Claims

In general, a Chapter 11 plan (i) divides claims and interests into separate classes, (ii) specifies the property that each class is to receive under the plan and (iii) contains other provisions necessary to implement the plan. Section 1123(a)(1) of the Bankruptcy Code provides that a plan of reorganization shall classify the claims of a debtor's creditors and interest holders. Section 1123(a)(2) and (3) of the Bankruptcy Code requires that a plan of reorganization specify any class of claims or interests that are impaired or not impaired.

Section 1124 of the Bankruptcy Code provides the guidelines to determine when a class is impaired or unimpaired. A class of claims is "impaired" under a plan unless the plan (a) leaves unaltered the legal, equitable and contractual rights of each holder of a claim in such class; or (b) provides, among other things, for the cure of existing defaults and reinstatement of the maturity of claims in such class.

The Plan divides Claims and Interests into classes and sets forth the treatment afforded to each class as follows:

1. Unclassified Claims

As required by the Bankruptcy Code, certain types of Claims are not placed into classes, instead they are unclassified. Claimants in these groups are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. The Plan does not place the following Claims in a class.

Administrative Claims: The holders of Administrative Claims consist of administrative claims pursuant to section 503(b) and section 507(a)(1) of the Bankruptcy Code.

Holders of Administrative Claims of non-Professionals that are Allowed Administrative Claims as of the Administrative Claims Objection Date shall be paid in full on the later of 30 days after the Administrative Claims Objection Date or the date the claim becomes due. If the Debtor objects to the Administrative Claim on or before the Administrative Claims Bar Date, the claimant shall be paid in full within 20 days after the date on which an order allowing such Administrative Claim becomes a Final Order.

Each holder of an Administrative Claim of Professionals will receive Cash equal to the allowed amount of such Administrative Claim within five (5) business days of the date on which an order allowing such Administrative Claim becomes a Final Order. To the extent not already paid from the retainers (as hereinafter described) or in the ordinary course of Debtors' business prior to the Effective Date (the first business day after the later of the Confirmation Date or the date the Exit Financing Loan Documents are executed by Debtors and CoBank), Debtors will pay the allowed Administrative Claims of Professionals from operating income. Debtors estimate that the unpaid Administrative Claims of Professionals as of the Effective Date will be \$180,000.

Excepting payment of Administrative Claims of Professionals, the Cash payment to Allowed Administrative Claims shall be paid from the Available Distributable Cash. The Plan assumes that Debtors will continue to pay administrative claims as such arise in the ordinary course of Debtors' business. Accordingly, at the Effective Date the only Administrative Claims that will be outstanding are those, the payment of which is not yet due or which will be subject to objection. However, in no event will such Administrative Claims be more than the Available Distributable Cash.

United States Trustee's Claims: The United States Trustee's Claims shall be

paid in full according to the schedule set forth in 28 U.S.C. § 1930(a)(6). Post Effective Date, Debtors shall be responsible for timely payment of fees incurred pursuant to 28 U.S.C. §1930(a)(6). After confirmation, the Debtors shall file with the court and serve on the U.S. Trustee a quarterly financial report regarding all income and disbursements, including all plan payments for each quarter (or portion thereof) so long as the cases remain open.

Priority Tax Claims: The holders of Priority Tax Claims consist of priority tax claims pursuant to section 507(a)(8) of the Bankruptcy Code. Unless otherwise agreed to by the holder of a Priority Tax Claim and the Debtor, each holder of a Priority Tax Claim will receive, in full satisfaction of its Priority Tax Claim, Cash equal to the amount of such Priority Tax Claim on or within 30 days from the date such Claim becomes an Allowed Priority Tax Claim or if the Priority Tax Claim is due after such date, Cash equal to the amount of the Allowed Priority Tax Claim on the date the claim is due. Holders of Priority Tax Claims will be paid from the Available Distributable Cash. As referenced in Exhibits D-1 and D-2 to the Plan, Debtors estimate that the Priority Tax Claims of UPI and PCC will be \$186,000 and \$99,000, respectively, on the Effective Date.

2. Classified Claims

a. Classified Claims of UPI

i. Class A-1: Class A-1 consists of the allowed secured UPI CoBank Loan Claims. The UPI CoBank Loan Claims shall be treated as follows:

(1) General

As of the Petition Date, UPI was indebted to CoBank pursuant to the UPI Prepetition Credit Facility in the amount of \$10,943,429. The UPI Prepetition Credit Facility was secured by first mortgages upon real property owned by UPI with the exception of UPI's 10050 E. Brush

Rd., Scottsburg, IN property (subject to a prior mortgage held by GE Capital), upon which property CoBank holds a second mortgage. In addition, to further secure the UPI Prepetition Credit Facility, CoBank held a first priority and perfected security interest in all personal property (whether tangible or intangible) owned by UPI. The prepetition obligations of UPI to CoBank include UPI's guaranty of PCC's separate obligations to CoBank pursuant to the PCC Prepetition Credit Facility. As of the Petition Date, the contingent liability of UPI pursuant to the PCC Prepetition Credit Facility was \$58,918,258.00. The UPI Prepetition Credit Facility also includes UPI's guaranty of UPHC, LLC's ("UPHC") obligations to CoBank in the amount of \$410,739. Pursuant to the Postpetition DIP Facility, CoBank made a credit facility available to UPI and PCC. The Postpetition DIP Facility is secured by the same category and types of collateral as secured the Prepetition Credit Facility whether existing at the Petition Date or thereafter arising.

(2) Overadvance

Prior to the Petition Date, CoBank, in order to facilitate the cash needs of PCC, allowed PCC to draw funds under the PCC Prepetition Loan Facility that exceeded the amount that would otherwise have been available under the applicable borrowing base. As of the Effective Date, the overadvance will total approximately \$13,800,000. Because such overadvance was used to fund the operations of UPI, pursuant to the Plan, UPI (although currently a guarantor of such obligations) will become directly liable for the amount of the overadvance, and such amount is reflected in the amount that UPI is directly obligated to CoBank as provided in this Plan.

(3) Exit Financing

Debtors and CoBank have negotiated the terms of the Exit Financing. The general terms of the Exit Financing are described below and in Article IV of the Plan. Further, attached to the

Plan as Exhibit A is a term sheet that generally outlines the terms of the Exit Financing. Upon the closing of the Exit Financing, UPI's obligations under the UPI Prepetition Credit Facility and the Postpetition DIP Facility shall be treated as provided in the Plan. Class A-1 is an impaired class.

As to UPI, the Exit Financing shall consist of three (3) components: (1) the UPI Revolver (in the maximum amount of \$10,000,000); (2) the UPI Term Note (in the maximum amount of \$15,000,000); and (3) UPI's contingent liability as guarantor of PCC's obligations to CoBank under this Plan. UPI shall execute any and all loan and related documents reasonably required by CoBank to evidence such obligations and the terms and conditions upon which the Exit Financing is extended. Material terms of the Exit Financing are as follows:

(a) UPI Revolver

(i) Interest. The UPI Revolver shall accrue interest at the rate of (a) 30-day LIBOR plus 180 basis points; or (b) CoBank's prime plus 25 basis points; whichever is lower, at UPI's discretion.

(ii) Payment Schedule. Interest shall be payable monthly and all remaining principal and accrued but unpaid interest shall be due and payable on the maturity date.

(iii) Maturity Date. The maturity date on the UPI Revolver shall be December 31, 2006.

(b) UPI Term Note

(i) Interest. The UPI Term Note shall accrue interest at the rate of (a) 30-day LIBOR plus 180 basis points; or (b) CoBank's prime plus 25 basis points; whichever is lower, at UPI's discretion.

(ii) Payment Schedule. Principal payments on the UPI Term Note in the amount of \$250,000 each shall be made quarterly on March 31, June 30, September 30 and December 31, 2006 and March 31, June 30 and September 30, 2007. On December 31, 2007, all remaining principal and accrued and unpaid interest on the UPI Term Note shall be due and payable.

(iii) Maturity Date. The maturity date for the UPI Term Note shall be December 31, 2007.

(iv) Obligations of UPHC. The Term Note shall include the obligations of UPHC to CoBank, which are currently guaranteed by UPI.

(c) UPI Contingent Liability

UPI shall guaranty the obligations of PCC to CoBank under this Plan and the Exit Financing.

(d) Security

The UPI Revolver, the UPI Term Note, UPI's contingent liability and any and all other obligations of UPI to CoBank pursuant to this Plan and the Exit Financing whether existing at the Effective Date or incurred thereafter, shall be secured by first priority liens (subject only to the GE Capital Mortgage) and security interests in all assets of UPI and PCC.

(e) PCC Stock

To secure the obligations of UPI and PCC under the UPI Prepetition Credit Facility, the PCC Prepetition Credit Facility and the Postpetition DIP Facility, respectively, CoBank holds a perfected first priority lien and security interest upon all assets of PCC and the PCC Common Stock. As an impaired creditor under the Plan, CoBank has the right to retain its liens in all assets of PCC and the PCC Common Stock or for the realization of the indubitable

equivalent of its claims and but for the automatic stay CoBank would have the right to foreclose its lien and security interests in all assets of PCC and the PCC Common Stock. Further, under the Final DIP Financing Order, CoBank is entitled to receipt of the proceeds of all of the assets of PCC and the PCC Common Stock and/or whatever collateral is issued to replace the PCC Common Stock. In consideration of the treatment afforded by this Plan and the obligations taken and to be undertaken by UPI pursuant to this Plan, CoBank agrees to release its enforcement rights and remedies against the PCC Common Stock and does not object to the issuance of the New PCC Common Stock to UPI, subject to a lien thereon in favor of CoBank to secure any and all obligations of UPI and PCC to CoBank, including their obligations pursuant to the Exit Financing, all as provided by this Plan.

(f) Release of CoBank

In the Final DIP Financing Order at paragraph E, the Court specifically found as follows:

Subject only to the rights of third parties as provided in paragraph 23 below, Debtors acknowledge and agree that: (a) the Secured Loan Documents are valid and binding upon Debtors in all respects and continue in full force and effect with respect to the Pre-Petition Secured Debt and the Pre-Petition Collateral; (b) the amount of the Pre-Petition Secured Debt is fully due and payable by Debtors to Secured Lender as of the Petition Date; (c) Secured Lender's liens and security interests upon the Pre-Petition Collateral are valid, perfected and enforceable in all respects; (d) Secured Lender's pre-petition claims against Debtors and their estates are hereby allowed and are valid and enforceable in the amount set forth above, together with all pre-petition interest, fees and expenses as provided for in the Secured Loan Documents and **are not subject to avoidance or subordination under the Bankruptcy Code or otherwise;** (e) **Debtors are unaware of any claims, defenses, setoffs and counterclaims of any kind including, without limitation, those which would affect the amount, validity and enforceability of the Pre-Petition Secured Debt and Secured Lender's liens and security interests upon the Pre-Petition Collateral in any way...."** (emphasis added)

In addition, to the above Debtors possess no claims against CoBank that have arisen since the Petition Date.

Further, paragraph 23 of the Final DIP Financing Order provides in part:

The stipulations, admissions, agreements and assertions contained in this Order, including, without limitation, the assertions contained in paragraph E of this Order, shall be binding upon the Debtors and all other parties in interest,unless (a) a party in interest, including without limitation the Debtors, has timely filed an adversary proceeding or contested matterby no later than June 20, 2005....(i) for claims challenging the extent, validity, enforceability, perfection or priority of the Pre-Petition Secured Debt or Secured Lender's liens on the Pre-Petition Collateral of (ii) otherwise asserting or prosecuting any action for preferences, fraudulent conveyances, other avoidance power claims subordinate or any other claims, counterclaims or causes of action, objections, contests or defenses against the Secured Lender..... If no such adversary proceeding or contested matter is timely filed, (x) the Pre-Petition Secured Debt and all related obligations of the Debtors shall constitute allowed claims not subject to counterclaim, setoff, subordination, recharacterization, defense or avoidance, pursuant to the Bankruptcy Code or otherwise for purposes in the Cases and any subsequent Chapter 7 Cases,....and (z) the Pre-Petition Obligations, and the Secured Lender's liens on the Pre-Petition Collateral and Secured Lender shall not be subject to any other or further challenge by any party in interest....

Accordingly, no third party has the right to assert a claim against Co-Bank in connection with obligations of Debtors to CoBank which are the subject of these cases.

In accordance with the provisions of the Final DIP Financing Order and in consideration of the Exit Financing, and as a condition to CoBank's willingness to extend the Exit Financing to UPI and PCC, upon the Effective Date, UPI and PCC on their own behalf and on behalf of each of their bankruptcy estates and their officers, directors, members, advisors, agents and creditors hereby release, remise and forever discharge CoBank and any and all of its members, shareholders, officers, directors, advisors, agents and affiliates from any and all claims, counterclaims, causes of action, demands and defenses, whether direct or indirect, known or unknown, matured or unmatured, fixed or contingent, in law or equity relating to, or arising in any way to UPI and PCC including without limitation claims and causes of action arising under Sections 105, 542- 551, and 553 of the Bankruptcy Code. Except as provided in the Final DIP

Financing Order as noted above, the release of CoBank will not impact the rights on any non-Debtors.

(4) Impairment

The Class A-1 claims of Co-Bank are impaired. At the Petition Date, the obligations of UPI and PCC under the UPI Prepetition Credit Facility and PCC Prepetition Credit Facility were due and payable in full on June 1, 2005.³ But for this bankruptcy proceeding and the DIP Postpetition Credit Facility, on June 1, 2005, CoBank was entitled to accelerate, without notice, all obligations owed by UPI and PCC and to enforce its lien and security interests in the property of UPI and PCC. Pursuant to the Plan, the Debtors' obligations to CoBank will be restructured. Such restructuring includes, among other changes, extending the maturity date of Debtors' obligations to CoBank.

Class A-1 is an impaired class.

ii. Class A-2: Class A-2 consists of the GE Capital Claim in the approximate amount of \$340,000.00. The GE Capital Claim shall be paid according to the terms and conditions provided in the agreements, instruments and other documents evidencing the GE Capital Claim.

Class A-2 is not an impaired class.

iii. Class B-1: Class B-1 consists of unsecured Claims against UPI that are entitled to priority under section 507(a)(3) and 507(a)(4) of the Bankruptcy Code. All holders of Allowed Claims in Class B-1 shall receive Cash equal to the amount of such Allowed Claim on or within 30 days from the date such Claim becomes an Allowed Claim, or if the Allowed Claim is due after such date, Cash equal to the amount of the Allowed Claim

³ The exception to the June 1, 2005 maturity date is one small term note to PCC having a maturity date of February 1, 2006.

on the date the claim is due. Such payments will be funded from the Available Distributable Cash. Class B-1 is not an impaired class.

Class B-1 consists of unsecured Claims against UPI that are entitled to priority under sections 507(a)(3) and 507(a)(4) of the Bankruptcy Code. This class includes claims related to wages, salaries, commissions and other employee expenses.

On April 28, 2005, the Bankruptcy Court entered an order authorizing the Debtors to honor existing personnel policies and to reimburse pre-petition employee business expenses (the “Employee Expense Order”). Pursuant to the Employee Expense Order, the Debtors were authorized to honor certain wages, salaries, commissions, sick leave and accrued vacation time earned within ninety (90) days prior to the Petition Date. In addition, the Debtors were also authorized to honor and pay any prepetition claims for contributions to employee benefit plans and to reimburse employees for expenses incurred by the employees while engaged in company business. The Debtors were authorized to honor these claims in the regular course of their business. Pursuant to the Employee Expense Order, the Debtors believe all wage Claims in Class B-1 have been satisfied. There may be a minor and insignificant amount of accrued vacation that has yet to be paid because the employee has yet to take vacation. To the extent of any additional Claims are Filed, such Claims will receive the treatment described in Article III.B.2.a. of the Plan.

Class B-1 is not an impaired class.

iv. Class B-2: Class B-2 consists of all creditors holding unsecured Claims against UPI, except those claims falling into Class B-1, Class B-3 and Class B-4. All holders of Allowed Claims in Class B-2 shall receive their Pro Rata share of the Available Distributable Cash remaining after payment of Administrative Claims (excluding

Administrative Claims of Professionals—which are being paid by UPI from operating income and, thus, will not reduce the Available Distributable Cash), Priority Tax Claims and Class B-1 unsecured claims. Based upon the liquidation analysis (See Exhibit C-1 hereto), if the assets of UPI were liquidated as of the Effective Date of the Plan, the proceeds of such liquidation would be insufficient to make any distribution to Class B-2 creditors. However, the Plan provides for UPI to make the Available Distributable Cash available for distribution to Class B-2. The Available Distributable Cash is being funded from the Exit Financing. All Litigation Claims Against UPI shall constitute Allowed Claims in the Judgment Amount upon the Effective Date of this Plan.⁴ Holders of Allowed Claims in Class B-2 will receive Cash, in the amount provided in Article III.B.2.b. of the Plan, on or within fifteen (15) days after the date that all Class B-2 Claims are finally allowed or disallowed.

Because Debtors intend to pay Administrative Claims that accrue prior to the Effective Date in the ordinary course of business, the only Administrative Claims outstanding as of the Effective Date will be those that are not yet due and payable and those to which Debtors have filed an objection. Debtors do not anticipate such Administrative Expenses to be significant in amount. Given that fact, and given that the priority tax claims to be paid from the Available Distributable Cash total \$285,000, Debtor estimates that Available Distributable Cash that will be available for distribution to Class B-2 will range between \$450,000 and \$500,000.

Class B-2 is an impaired class.

⁴ As noted earlier, UPI has appealed the Judgment Amounts, which appeals are pending, but stayed as a result of this bankruptcy proceeding. The treatment afforded in the Plan should not be construed as an indication that UPI does not strongly believe that the appeals are meritorious and would be successful. On the contrary, UPI believes that, if the appeal were prosecuted, the Judgment Amounts would be reversed and ultimately UPI will be recognized (along with plaintiffs) as a victim of ULS's, Young's and McConnell's fraudulent conduct. Accordingly, the treatment provided by the Plan recognizes UPI's conclusion that it would not be in the financial best interests of UPI or its creditors for UPI to spend the money, time and business focus to prosecute the appeals of the Judgment Amounts, when the Plan provides a more efficient and most-effective means of resolving the operation impact of the Judgment Amounts.

v. **Class B-3:** Class B-3 consists of the unsecured Claims of PCC against UPI. Pursuant to the Plan, PCC agrees to waive, release and otherwise discharge its claim against UPI. The foregoing waiver and release will be effective upon the Effective Date.

vi. **Class B-4:** Class B-4 consists of the unsecured Claims of holders of Bonds. The Bonds were issued over 40 years ago by UPI's predecessor in interest, Producers Livestock Association. The Bonds are 3% deferred debenture bonds and provide for interest to be paid annually at the rate of 3%. Most if not all of the Bonds are in the face amount of \$25.00. Until recently, UPI believed that all of the Bonds had been redeemed. The outstanding Bonds, having an aggregate face value of approximately \$18,112.50, were not surrendered during prior efforts to redeem the Bonds.

The Bonds contain a legend stating that the "bond is unsecured and is deferred to general creditors of the Association." Further, the Bonds contain a legend stating that "Upon dissolution, bankruptcy, receivership or reorganization proceedings, the registered holder of this debenture bond shall share and be paid after general creditors." Accordingly, no distribution will be made to Class B-4 and the Bonds will be cancelled as of the Effective Date.

Class B-4 is an impaired class.

b. Classified Interests of UPI

i. **Class C-1:** Class C-1 consists of UPI Membership Interests, Capital Credits, Patrons and Per Unit Retains. Holders of Class C-1 Interests will not receive any distribution or retain any property under the Plan. On the Effective Date, all Class C-1 Interests shall be extinguished.

Class C-1 is an impaired class.

c. Classified Claims of PCC

i. Class D-1: Class D-1 consists of the allowed secured PCC CoBank Loan Claims. The PCC CoBank Loan Claims shall be treated as follows:

(1) General

As of the Petition Date, PCC was indebted to CoBank pursuant to the PCC Prepetition Credit Facility in the aggregate amount of \$58,918,258. The PCC Prepetition Loan Facility was secured by first and best liens and security interests upon any and all assets of PCC. The PCC Prepetition Credit Facility includes PCC's guaranty of UPI's separate obligations to CoBank pursuant to the UPI Prepetition Credit Facility. Further, the PCC Prepetition Credit Facility includes PCC's guaranty of UPHC's obligations to CoBank in the approximate amount of \$410,739. Pursuant to the Postpetition DIP Facility, CoBank made a credit facility available to PCC and UPI. The Postpetition DIP Facility is secured by the same category and types of collateral as secured the PCC Prepetition Credit Facility.

(2) Overadvance

Prior to the Petition Date, CoBank, in order to facilitate the cash needs of PCC, allowed PCC to draw funds under the PCC Prepetition Loan Facility that exceeded the amount that would otherwise have been available under the applicable borrowing base. As of the Effective Date, the balance of the overadvance will be approximately \$13,800,000. Because such overadvance was used to fund the operations of UPI, pursuant to this Plan, UPI (although currently a guarantor of such obligations) will become directly liable for the amount of the overadvance, and such amount is reflected in the amount that UPI is directly obligated to CoBank as provided in this Plan.

(3) Exit Financing

Debtors and CoBank have negotiated the terms of the Exit Financing. The general terms of the Exit Financing are described below and in Article IV of the Plan. Further, attached to the Plan as Exhibit A is a term sheet that generally outlines the terms of the Exit Financing. Upon the closing of the Exit Financing, PCC's obligations under the PCC Prepetition Credit Facility and the Postpetition DIP Facility shall be treated as provided in this Plan. Class D-1 is an impaired class.

The Exit Financing shall consist of three (3) components: (1) the PCC Revolver (in the maximum amount of \$41,500,000); (2) the PCC Note (in the maximum amount of \$7,500,000); and (3) PCC's contingent liability as guarantor of UPI's obligations to CoBank under this Plan. PCC shall execute any and all loan and related documents reasonably required by CoBank to evidence such obligations and the terms and conditions upon which the Exit Financing is extended. Material terms of the Exit Financing are as follows:

(a) PCC Revolver

(i) Interest. The PCC Revolver shall accrue interest at the rate of (a) 30-day LIBOR plus 180 basis points; or (b) CoBank's prime plus 25 basis points; whichever is lower, at the discretion of PCC.

(ii) Payment Schedule. Interest shall be payable monthly and all remaining principal and accrued but unpaid interest shall be due and payable on the maturity date.

(iii) Maturity Date. The maturity date on the PCC Revolver shall be December 31, 2006.

(b) PCC Note

(i) Interest. The PCC Note shall accrue interest at the rate of (a) 30-day

LIBOR plus 180 basis points; or CoBank's prime plus 25 basis points; whichever is lower, at the discretion of PCC.

(ii) Payment Schedule. Interest shall be payable monthly and all remaining principal and accrued but unpaid interest shall be due and payable on the maturity date.

(iii) Maturity Date. The maturity date for the PCC Note shall be December 31, 2006.

(c) PCC Contingent Liability

PCC shall guaranty the obligations of UPI to CoBank under this Plan and the Exit Financing.

(d) Security

The PCC Revolver, the PCC Note, PCC's contingent liability and any and all other obligations of PCC to CoBank pursuant to this Plan and the Exit Financing whether existing at the Effective Date or incurred thereafter, shall be secured by first priority liens (subject only to the GE Capital Mortgage) and security interests in all assets of PCC, UPI and UPHC.

(e) PCC Stock

To secure the obligations of UPI and PCC under the UPI Prepetition Credit Facility, the PCC Prepetition Credit Facility and the Postpetition DIP Facility, respectively, CoBank holds a perfected first priority lien and security interest upon all assets of PCC and the PCC Common Stock. As an impaired creditor under the Plan, CoBank has the right to retain its liens in all assets of PCC and the PCC Common Stock or for the realization of the indubitable equivalent of its claims and but for the automatic stay CoBank would have the right to foreclose

its lien and security interests in all assets of PCC and the PCC Common Stock. Further, under the Final DIP Financing Order, CoBank is entitled to receipt of the proceeds of all of the assets of PCC and the PCC Common Stock and/or whatever collateral is issued to replace the PCC Common Stock. In consideration of the treatment afforded by this Plan and the obligations taken and to be undertaken by UPI pursuant to this Plan, CoBank agrees to release its enforcement rights and remedies against the PCC Common Stock and does not object to the issuance of the New PCC Common Stock to UPI, subject to a lien thereon in favor of CoBank to secure any and all obligations of UPI and PCC to CoBank, including their obligations pursuant to the Exit Financing, all as provided by this Plan.

(4) Impairment

The Class D-1 claims of Co-Bank are impaired. At the Petition Date, the obligations of UPI and PCC under the UPI Prepetition Credit Facility and PCC Prepetition Credit Facility were due and payable in full on June 1, 2005.⁵ But for this bankruptcy proceeding and the DIP Postpetition Credit Facility on June 1, 2005, CoBank was entitled to accelerate, without notice, all obligations owed by UPI and PCC and to enforce its lien and security interests in the property of UPI and PCC. Pursuant to the Plan, the Debtors' obligations to CoBank will be restructured. Such restructuring includes, among other changes, extending the maturity date on Debtors' obligations to CoBank.

Class D-1 is an impaired class.

ii. Class E-1: All holders of Allowed Claims in Class E-1 shall receive Cash equal to the amount of such Allowed Claim on or within 30 days from the date such Claim becomes an Allowed Claim, or if the Allowed Claim is due after such date,

⁵ The exception to the June 1, 2005 maturity date is one small term note to PCC having a maturity date of February 1, 2006.

Cash equal to the amount of the Allowed Claim on the date the claim is due. Class E-1 is not an impaired class.

Class E-1 consists of unsecured Claims against PCC that are entitled to priority under sections 507(a)(3) and 507(a)(4) of the Bankruptcy Code. This class includes claims related to wages, salaries, commissions and other employee expenses.

On April 28, 2005, the Bankruptcy Court entered an order authorizing the Debtors to honor existing personnel policies and to reimburse pre-petition employee business expenses (the “Employee Expense Order”). Pursuant to the Employee Expense Order, the Debtors were authorized to honor certain wages, salaries, commissions, sick leave and accrued vacation time earned within ninety (90) days prior to the Petition Date. In addition, the Debtors were also authorized to honor and pay any prepetition claims for contributions to employee benefit plans and to reimburse employees for expenses incurred by the employees while engaged in company business. The Debtors were authorized to honor these claims in the regular course of their business. Pursuant to the Employee Expense Order, the Debtors believe all wage Claims in Class E-1 have been satisfied. There may be a minor and insignificant amount of accrued vacation that has yet to be paid because the employee has yet to take vacation. Accordingly, pursuant to the Employee Expense Order, the Debtors believe all Claims in Class E-1 have been or will be satisfied. To the extent of any additional Claims are Filed, such Claims will receive the treatment described in Article III.D.2.a of the Plan.

iii. Class E-2: Class E-2 consists of all creditors holding unsecured Claims against PCC, except those claims falling into Class E-1. Holders of Claims in Class E-2 will not receive any distribution or retain any property under the Plan. Such treatment is authorized by and in compliance with §1129(a)(7) of the Bankruptcy Code because if PCC

were liquidated as of the Effective Date, no distribution would be made to Class E-2 creditors.

Class E-2 is an impaired class.

d. Classified Interests of PCC

i. Class F-1: Class F-1 consists of Interests on account of the preferred shares of PCC. Holders of Class F-1 Interests will not receive any distribution or retain any property under the Plan. On the Effective Date, all Class F-1 Interests shall be extinguished.

Class F-1 is an impaired class.

ii. Class F-2: Class F-2 consists of Interests on account of the common stock of PCC. UPI, as holder of Class F-2 Interests will not receive any distribution or retain any property under the Plan. On the Effective Date, all Class F-2 Interests shall be extinguished.

Class F-2 is an impaired class.

C. Implementation of the Plan

1. Funds Necessary to Implement the Plan

After taking into consideration the treatment of all claimants described in the Plan, the Debtors will have the following cash needs on or shortly after the Effective Date:

Administrative Claims: Since the Petition Date, the Debtors have paid their vendors and other creditors in the ordinary course of business. Debtors will continue such payments in the ordinary course of business pending confirmation of the Plan. Accordingly, at the Effective Date, the Debtors do not expect there will be any significant unpaid and allowable Administrative Claims of non-professionals. Further, in no event will such unpaid and allowable Administrative Claims of non-Professionals exceed the Available Distributable Cash.

The Debtors estimate that they will owe approximately \$180,000 for Allowed Administrative Claims of Professionals as of the Confirmation Date. The Bankruptcy Court has entered the following orders regarding the retention of Professionals: (1) on April 28, 2005, an order approving the retention of Debtors' Counsel as bankruptcy counsel (the "VSSP Order"); (2) on April 28, 2005, an order approving the retention of Development Specialists, Inc. ("DSI") as management consultants (the "DSI Order"); (3) on April 28, 2005, an order approving the retention of Garden City Group ("Garden City") as noticing, claims and balloting agent (the "Garden City Order"); and (4) on May 26, 2005, an order approving the retention of Allen, Kuehnle & Stovall, LLP ("AKS") as special counsel (the "AKS Order"). In addition, there are pending before the Court the Debtors' separate applications to retain KPMG, LLP and Holbrook and Manter, Inc. KPMG, LLP will prepare Debtors' 2004 audit. Holbrook and Manter, Inc. will perform accounting services, particularly with respect to Debtors' defined benefit plan. If the application is approved, Debtors will pay Holbrook Manter a retainer of \$2,500. As in the case of other Professionals, the claims of these additional professionals will not be paid from the Available Distributable Cash.

On April 5, 2005, the Bankruptcy Court entered an order (the "Compensation Order") that, in relevant part, provides a procedure for compensation of professionals. The Compensation Order provides that a professional may apply any retainer paid to said professional as appropriate without prior Bankruptcy Court approval.

In addition, the Debtors filed a motion (the "Compensation Procedures Motion") on June 21, 2005 seeking, in relevant part, the establishment of procedures for compensating and reimbursing professionals on a monthly basis. Pursuant to the Compensation Procedures Motion, professionals shall be authorized to seek compensation and reimbursement of expenses

in the month following the month when said compensation was earned and expenses were incurred. The Compensation Procedures Motion has been approved by the Court and Debtors are authorized to pay monthly 85% of fees and 100% of expenses of Professionals.

In the Debtors' Application requesting entry of the VSSP Order, it was disclosed that the Debtors provided the Debtors' Counsel with a retainer pre-petition. The amount of the retainer remaining on the Petition Date was \$377,125.13. As of August 15, 2005, the retainer held by Debtors' Counsel has been used to pay post-petition attorneys fees and expenses for April, May and June leaving a balance of approximately \$61,800. The Debtors believe that the remaining retainer will be insufficient to satisfy all Claims of Debtors' Counsel prior to the Confirmation Date. Debtors' Counsel will commence seeking compensation and reimbursement on a monthly basis pursuant to the Compensation Procedures Motion. Such amounts will be paid in the ordinary course of Debtors' business. Debtors' estimate that Administrative Claims of Debtors' Counsel on the Confirmation Date (the 15% holdback and the fees and expenses for the then current month) will be \$125,000.

In the Debtors' Application requesting entry of the DSI Order, it was disclosed that the Debtors provided DSI with a retainer pre-petition. The amount of the retainer remaining on the Petition Date was \$300,000.00. As of August 19, 2005, the retainer held by DSI has been used to pay post-petition fees and expenses for April, May and June, 2005 leaving a balance of approximately \$197,000. The Debtors believe this retainer will be sufficient to satisfy all Claims of DSI prior to the Confirmation Date.

In the Debtors' Application requesting entry of the AKS Order, the Debtors were authorized to provide AKS with a retainer in the amount of \$25,000. To date, because no services to be performed by AKS have been identified, the AKS retainer has not been funded. If

funded, the Debtors believe the retainer will be sufficient to satisfy all Claims of AKS prior to the Confirmation Date.

In the Debtors' Application requesting entry of the Garden City Order, it was disclosed that the Debtors provided Garden City with a retainer. The amount of the retainer was \$10,000.00. The Application also provided that Garden City will invoice the Debtors monthly for services rendered to the Debtors during the preceding month. The Debtors believe that the retainer provided to Garden City will be insufficient to satisfy all Claims of Garden City prior to the Confirmation Date. Garden City has filed its First Interim Application for compensation and reimbursement of expenses covering the period of April 1 through June 1, 2005, seeking compensation of \$42,868.00 and expenses of \$9,024.95 for a total of \$51,892.95. Debtors' estimate that the unpaid Administrative Claims of Garden City on the Confirmation Date (the 15% holdback and the fees and expenses for the then current month) will be \$40,000.

With respect to each of the Professionals, the Plan provides that the fees of such Professionals will not be paid from or otherwise deplete the Available Distributable Cash.

Priority Tax Claims: According to their books and records, the Debtors estimate that as of the Effective Date that the Priority Tax Claims of UPI will be in the amount of \$186,000 and the Priority Tax Claims of PCC will be in the amount of \$ 99,000. These Priority Tax Claims will be paid from the Available Distributable Cash.

Priority Unsecured Claims: Sections 507(a)(3) and 507(a)(4) provides certain unsecured claims with special priority over other unsecured claims. This special class includes claims related to wages, salaries, commissions and other employee expenses.

On April 28, 2005, the Bankruptcy Court entered an order authorizing the Debtors to honor existing personnel policies and to reimburse pre-petition employee business expenses (the

“Employee Expense Order”). Pursuant to the Employee Expense Order, the Debtors were authorized to honor certain wages, salaries, commissions, sick leave and accrued vacation time earned within ninety (90) days prior to the Petition Date. In addition, the Debtors were authorized to honor and pay any prepetition claims for contributions to employee benefit plans and to reimburse employees for expenses incurred by the employees while engaged in company business. The Debtors were authorized to honor these claims in the regular course of their business. Since the entry of the Employee Expense Order, Debtors have honored and paid the authorized wages and benefits as same have become due. Debtors anticipate that only accrued and unpaid vacation pay will be due on the Effective Date.

The Debtors are unaware of any other material Claims due and owing under sections 507(a)(3) or 507(a)(4) as of the Petition Date. Accordingly, the Debtors believe any priority unsecured claims, other than as provided for in the Employee Expense Order, will be insignificant.

General Unsecured Claims: General unsecured creditors shall receive their Pro Rata shares of the Available Distributable Cash remaining after payment of Administrative Claims (excluding Administrative Claims of Professionals), Priority Tax Claims and Class B-1 unsecured claims. Debtors estimate that the amount available to general unsecured creditors will be between \$450,000 and \$500,000.

2. Sources of Funding Under the Plan

a. Exit Financing

Exit Financing will be the primary source for funding Debtors’ post-Effective Date operations. The total commitment to be provided by CoBank pursuant to the proposed Exit Financing is \$74,000,000. \$25,000,000 of the facility is being made available to UPI with the

remaining \$49,000,000 being available to PCC. Such commitment amounts will be sufficient to treat as provided in the Plan the UPI Prepetition Credit Facility, the PCC Prepetition Credit Facility, the Postpetition DIP Facility, the obligations of UPHC to CoBank, fund the Available Distributable Cash and provide each of the Debtors with sufficient working capital to continue their operations.

The terms of the proposed Exit Financing are summarized in the term sheet attached to the Plan as Exhibit A. While CoBank has yet to issue a formal commitment, CoBank has demonstrated its support for the Debtors and the Plan, as evidenced by the term sheet. CoBank has authorized Debtors to communicate CoBank's intent to provide the Exit Financing as outlined in the term sheet. CoBank and Debtors will submit the formal loan documents to the Bankruptcy Court no later than ten (10) days prior to the Confirmation Hearing.

b. Sources of Funding from Debtors' Operations

In addition to the Exit Financing, Debtors intend to fund payments required under the Plan from cash generated by operations including the implementation of various initiatives. Specifically, UPI intends to implement a new fee to be associated with membership and a capital retains program. On a going forward basis, in addition to other criteria for membership, a fee of \$20 per patron per year will be assessed. UPI estimates that this fee program will generate between \$800,000 and \$1,000,000 per year. Further, capital retains will be assessed based on per head of livestock marketed through UPI. Projected assessments are \$.75 per head of cattle; \$.25 per swine; \$.25 per sheep and goat; and \$.50 or higher for all other categories of livestock. While the implementation of the capital retains program may require dollar caps per member and certain flexibilities to meet differing circumstances, it is estimated that the capital retains program will generate \$1,000,000 per year.

It should be noted that the assessments (tariffs) described herein and in the Plan will require the prior approval of the Packers and Stockyards Administration. It is also possible that the annual fee described herein and in the Plan will require such approval. Prior to implementation of such fees and/or assessments, UPI will apply for such approval. UPI notes that all current assessments (tariffs) charged by UPI have been approved by Packers and Stockyards and at no time during its history has Packers and Stockyards declined a requested tariff adjustment requested by UPI.

As to PCC's post Effective Date operations, the recognition that the overadvance becomes a direct liability of UPI, the return to patronage status in 2007 and the reduction of debt through earnings, will reduce the debt load carried by PCC, thus increasing profitability.

c. Disposition of Assets/Closing of Facilities

During the pendency of the Chapter 11 Cases, Debtors have identified and begun to acquire and/or dispose of those assets that add value to Debtors' balance sheet, do not fit into Debtor's future operations or that may otherwise generate cash to pay down debt. For example, Debtors have, pursuant to Bankruptcy Court authority, assumed leases on their Paris and Owenton, Kentucky facilities to allow the exercise of options to purchase these facilities. Likewise, UPI has marketed for sale its Lancaster, Ohio, and Buffalo, MO facilities. When sold these facilities will generate cash that will be paid to reduce Debtors' obligations to CoBank which holds first mortgages on each of them. Post Effective Date, to the extent these sales have not been completed, Debtors will continue the marketing efforts. Further, Debtors will continue to identify and market those assets/locations that Debtors do not believe fit their future operating plan. While the disposition of these assets will not directly generate funds for Debtors' operations, by application of the proceeds to CoBank obligations and the operational savings

associated with closed facilities, Debtors' overall cash position will be improved.

On August 3, 2005, the Court approved the sale of Debtors' corporate headquarters for \$765,000 as well as the leaseback of such facility. The lease provides for base rent during the initial 3 year term of \$81,689.30 or \$6,807.44 per month. If the renewal term of 3 years is exercised, the monthly rental will be \$7,147.81. This transaction has yet to close because buyers have requested an extension to seek alternate financing.

d. Other Potential Funding Sources

While not required to fund the Plan, Debtors are considering and will continue to consider a number of strategies that may result in generating new sources of funding. Included among these considerations are the raising of outside equity capital and the development of a community market based initiative and/or joint ventures. If implemented, these initiatives may require modification to Debtors' corporate structure and/or bylaws.

e. Merger of UPHC and UPI

As soon as possible after the Effective Date, UPHC shall be merged into UPI and/or shall be liquidated.

3. Corporate Structure and Governance

a. Amendment to Articles of Incorporation and Bylaws

The Debtors' Articles of Incorporation, Bylaws and other corporation governance documents, as applicable, shall be amended as of the Effective Date to prohibit the issuance of nonvoting equity securities as required by section 1123(a)(6) of the Bankruptcy Code. The amended Articles of Incorporation, Bylaws and corporate governance documents, as applicable, shall be filed with the proper official in the jurisdiction(s) of incorporation on or prior to the Effective Date and be in full force and effect without any further amendment as of the Effective

Date.

b. Corporate Governance

Except as otherwise described in this Disclosure Statement and the Plan, as of the Effective Date, the Second Amended and Restated Articles of Incorporation, Second Amended and Restated Bylaws, and other corporate governance documents will be the same as immediately before the Effective Date. Copies of the Second Amended and Restated Articles of Incorporation and Second Amended and Restated Bylaws are attached hereto as Exhibit E. Pursuant to the Plan, the Interests in the Debtors will be extinguished.

Under UPI's current corporate governance documents, and as a farmer owned cooperative, UPI is owned by its Members. A Member is a producers/farmer who is an active Patron of UPI. UPI is authorized under its corporate governance documents to issue Capital Credits. Capital Credits evidence the non-cash portion of patronage refunds and Per Unit Retains allocated and/or distributed to Members, Patrons or others consistent with UPI's corporate governance documents. All UPI Membership Interests, Capital Credits and Per Unit Retains (any evidence of an ownership interest in UPI) that exist as of the Effective Date will be cancelled under the Plan. Post Effective date, new Capital Credits, Per Unit Retains, and UPI Membership Interests will be established in accordance with the existing Amended and Restated Articles of Incorporation and Second Amended and Restated Bylaws as may be amended in accordance with this Plan. Thus, as producers/farmers conduct business with UPI after the Effective Date, they will qualify for new membership status in UPI, Capital Credits or other indicia of an interest in UPI as provided for by the corporate governance documents.

As described in Article III of the Plan, CoBank has agreed to release its enforcement rights and remedies against the PCC Common Stock and does not object to the issuance of the

New PCC Common Stock to UPI subject to a lien thereon in favor of CoBank to secure any and all obligations of UPI and PCC to CoBank, including their obligations pursuant to the Exit Financing, all as provided by the Plan. Accordingly, on the Effective Date, PCC shall take such corporate action as is necessary to issue the New PCC Common Stock. As of the Effective Date, all issued and outstanding shares of such New PCC Common Stock shall be owned by UPI subject to the security interests and liens of CoBank to secure the Exit Financing and any other obligations of UPI and PCC to CoBank. Confirmation of the Plan will authorize Debtors to take any and all actions to effectuate the issuance of the New PCC Common Stock as provided in the Plan and to grant a security interest in and lien upon the New PCC Common Stock to CoBank. Further, Confirmation of the Plan shall constitute a finding that nothing in the Plan shall result, cause or be construed as causing CoBank to become an owner or deemed an owner or party with designation rights of the PCC Common Stock or New PCC Common Stock.

The officers, directors, and delegates will be the same as the officers, directors and delegates immediately before the Effective Date. Attached as Exhibit B to the Plan (attached hereto as Exhibit A) is a chart describing the names, positions, and expected compensation for each of the officers and directors of the Debtors for the year following the Effective Date. In addition, attached as Exhibit B-1 to the Plan (attached hereto as Exhibit A) are summaries that describe the background of senior management of Debtors and a description of their duties both now and post Effective Date.

Debtors may consider funding strategies to supplement the implementation of their business strategies and this Plan. To the extent Debtors adopt capitalization strategies that require modification of either of the Debtors' corporate structure, this Plan shall permit such corporate restructuring subject to compliance with applicable state and/or federal laws.

C. Executory Contracts and Unexpired Leases

1. Executory Contracts and Unexpired Leases to be Rejected

No later than the date of the hearing on approval of this Disclosure Statement, Debtors will file a list of executory contracts and unexpired leases the Debtors will reject as of the Effective Date, which list shall be deemed to be incorporated into the Plan. Notice of such filing will be provided to each party to the contracts proposed to be rejected. The Plan will constitute a motion to reject such executory contracts and unexpired leases. Entry of the Confirmation Order by the Bankruptcy Court will constitute approval of the rejections pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order will also constitute a finding that each such rejected executory contract or unexpired lease is burdensome and that rejection thereof is in the best interest of the Debtors and all parties to the Chapter 11 Cases. The bar date for filing a proof of claim based on a claim arising from the rejection of a contract or lease under the Plan is thirty (30) days after entry of the Confirmation Order.

2. Executory Contracts and Unexpired Leases to be Assumed

Except for executory contracts and unexpired leases rejected prior to the Effective Date in the Chapter 11 Cases or rejected pursuant to the Plan, all executory contracts and unexpired leases, not previously assumed by the Debtors, shall be deemed to have been assumed by the Debtors as of the Effective Date. The Plan will constitute a motion to assume such executory contracts and unexpired leases. Entry of the Confirmation Order by the Bankruptcy Court will constitute approval of such assumptions pursuant to sections 365 and 1123(b)(2) of the Bankruptcy Code. Entry of the Confirmation Order shall also constitute a finding by the Bankruptcy Court that the assumption satisfies all the requirements of sections 365 and 1123(b)(2) of the Bankruptcy Code.

Pursuant to section 365 of the Bankruptcy Code, the Debtors are required to cure and compensate for any defaults in assumed contracts or leases. At this time, the Debtors are not aware of any defaults in any contracts or leases being assumed under the Plan. To the extent any defaults exist, such defaults shall be cured in the ordinary course of the Debtors' business promptly after any such default becomes known to the Debtors and, if the cure amount is disputed, such cure amount shall be established by the Bankruptcy Court. Upon payment of such cure amount, all defaults of the Debtors existing as of the Confirmation Date with respect to such executory contracts or unexpired leases shall be deemed cured.

3. Compensation and Benefits Program

Debtors are not parties to any employment contracts. Unless otherwise provided in these Chapter 11 Cases, all of the Debtors' obligations under all compensation and benefit plans, policies and programs (including, but not limited to, its defined benefit plan) shall be treated as though they are executory contracts that are deemed assumed under the Plan. Entry of the Confirmation Order by the Bankruptcy Court will constitute approval of such assumptions.

As of the Petition Date, Debtors' defined benefit plan was under funded in the approximate amount of \$1,500,000.00. Despite such under funding, Debtors will not terminate their defined benefit plan because: (1) maintenance of the plan for the benefit of Debtors' employees is essential to maintaining a stable and happy work force; (2) termination of the plan would result in an immediate liability in the approximate amount of \$3,000,000; and (3) Debtors have the right to cure the under funding over an extended period in accordance with ERISA guidelines. The costs of curing such under funding is included in Debtors' financial projections attached to this Disclosure Statement. Debtors shall continue to fund their defined benefit plan in the regular course of their business (as they historically have done) in compliance with the

laws governing such programs.

As do most employers, Debtors on an annual basis review the individual performance of its employees to determine if merit increases in compensation are warranted. Such decisions are impacted by competitive situation, individual circumstances, individual performance and the financial condition of the Debtors. In addition, from time-to-time Debtors adopt incentive based initiatives designed to motivate and encourage employees to perform at the highest level and/or to reward individual or business group performance. Because Debtors have largely held the line on salaries in recent years, incentive programs are a reasonable augmentation to Debtors' merit review process of its employees. In fiscal year 2004 (ending December 31, 2004), incentive based compensation "company" wide totaled \$89,786.00. Of this amount, \$84,113.00 was paid to 37 employees of UPI's livestock marketing division. The remainder of \$5,673.00 was paid to PCC loan company employees. No incentive compensation was paid to corporate administrative staff or senior management. As circumstances warrant, Debtors will continue to have an incentive based component to its compensation structure.

E. Procedure for Resolving Claims

1. Bar Dates

a. Classified Claims and Interests and Priority Tax Claims

All objections to classified Claims or Interests and Priority Tax Claims shall be Filed and served on the holders of such Claims or Interests by the Claims Objection Bar Date. If an objection has not been Filed to a classified Claim or Interest or a Priority Tax Claim by the Claims Objection Bar Date, such Claim or Interest will be treated as an Allowed Claim, Allowed Interest or Allowed Priority Tax Claim. If a timely objection to such Claim or Interest has been Filed, such Claim or Interest is a Disputed Claim, Disputed Interest or Disputed Priority Tax

Claim.

b. Administrative Claims

All objections to Administrative Claims shall be Filed and served on the holders of the Administrative Claims by the Administrative Claims Bar Date. If an objection has not been Filed to an Administrative Claim by the Administrative Claims Bar Date, such Administrative Claim will be treated as an Allowed Administrative Claim. If a timely objection to such Administrative Claim has been Filed, such Administrative Claim is a Disputed Administrative Claim.

2. Authority to Prosecute Objections and Compromise Claims

After the Effective Date, only the Debtors will have the authority to File objections, settle, compromise, withdraw or litigate to judgment objections to Claims or Interests. As of the Effective Date, the Debtors may settle or compromise any Disputed Administrative Claim, Disputed Priority Tax Claim, Disputed Claim or Disputed Interest under the following guidelines:

1. Settlements of Claims for an Allowed Claim, Allowed Administrative Claim or Allowed Priority Tax Claim where the Claim is \$100,000 or less, or settlements where the difference between the Claim and settlement amount is \$100,000 or less, do not require the review or approval of the Bankruptcy Court or any other party in interest. The Debtors will include appropriate information summarizing the settlement in reports filed periodically with the Bankruptcy Court.

2. Settlements of Claims for an Allowed Claim, Allowed Administrative Claim or Allowed Priority Tax Claim where the Claim is more than \$100,000, or settlements where the difference between the Claim and settlement amount is more than \$100,000, shall be

consummated only upon approval by the Bankruptcy Court with respect to the proposed settlement.

F. Miscellaneous Plan Provisions

1. Preservation of Causes of Action

Pursuant to the Plan, the Debtors shall preserve and retain, subsequent to the Effective Date of the Plan, the following claims, demands, and/or causes of actions:

1. Any and all claims, demands, and causes of action of the kind the Debtors may have including those claims specified in sections 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code. While Debtors have not completed their analysis of avoidance actions, Debtors believe that the overwhelming number of payments made to vendors and others during the 90 days prior to the Petition Date were payments made by ordinary business term, payments in the ordinary course of business and paying debts incurred in the ordinary course of business. Further, in no event would the potential proceeds of such actions impact the distribution to which general unsecured creditors would be entitled in the event of a liquidation of Debtors.

2. PCC's claims against any borrower of PCC who was in default of its obligations to PCC as of the Petition Date and/or who defaulted on its obligations to PCC after the Petition Date.

3. In addition to the foregoing claims, demands and causes of action, Debtors preserve the following causes of actions/claims:

a. Claims against Everett and Deborah M. Rogers and any other claims that are part of the Rogers Litigation;

b. Claims against Frederick A. Voge, Susan K. Voge and Emerson Voge,

pending in Preble County, Ohio Court of Common Pleas as Case No. 01-CV-023555;

c. Claims against Pitstick Pork Farm, Inc., Thomas V. Pitstick and Diana Lynn Pitstick;

d. Claims against Richard D. Steele II, Melodye Steele, Richard Steele, Mary Steele and Longview Holding Corporation;

e. Claims against Hannewald Lamb Company LLC, Rex Hannewald and Judith Hannewald pending in the Circuit Courts of Jackson and Livingston Count, Michigan, as Case Nos. 05-2151-CH and 05-21253-CH, respectively;

f. Claims against Larry D. and Polly L. Joppeck, pending in the United States Bankruptcy Court for the Northern District of Ohio as Case No. 02-13343;

g. Claims against Michael R. Johnson, pending in the United States Bankruptcy Court, Southern District of Indiana as Case No. 98-14319.

h. Claims against Jeffrey L. Wade, pending in the United States Bankruptcy Court, Southern District of Ohio as Case No. 2-04-66584.

i. Claims of UPI and PCC against Gotham Insurance Company and Mutual Marine Office, Inc. for the wrongful denial of coverage in the action brought against certain officers and directors of UPI and PCC by Everett Rogers and Deborah Rogers.

Pursuant to the Final DIP Financing Order, Debtors' obligations to CoBank were deemed to constitute allowed claims against the Debtors with priority over any and all administrative expenses, diminution claims and all other claims against the Debtors, now existing or hereafter arising, of any kind whatsoever, including, without limitation, all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, and over any and all administrative expenses or other claims arising under sections 105,

326, 328, 330, 331, 364(c), 503(b), 506(c), 507(a), 507(b), 726, 1113 or 1114 of the Bankruptcy Code. As such, until such time as Debtors' obligations to CoBank have been paid in full, CoBank claims to hold a priority right to receive the **proceeds** of all causes of action preserved hereunder; including those claims specified in Sections 544, 545, 546, 547, 548, 549, 550 and 551 of the Bankruptcy Code.

2. Discharge of Claims

The rights afforded under the Plan and the treatment of Claims under the Plan will be in exchange for and in complete satisfaction, discharge, and release of all Claims. Upon the Effective Date, Debtors shall be discharged from all Claims that arose before the Confirmation Date and all Claims of all kinds specified in sections 502(g), (h) and (i) of the Bankruptcy Code, whether or not a proof of Claim is filed or deemed filed, and whether or not a creditor has accepted the Plan. However, any liability imposed by the Plan will not be discharged, including without limitation all obligations of UPI and PCC to CoBank under the UPI Prepetition Credit Facility, the PCC Prepetition Credit Facility and the Postpetition DIP Facility until and unless all conditions to the Effective Date are met and UPI and PCC execute and deliver to CoBank the Exit Financing Loan Documents.

3. Disbursing Agent

The Debtors shall be designated the disbursing agents for collection and disbursement of funds necessary and appropriate to make payments as set forth in the Plan. Acceptance of the Plan shall be deemed to constitute consent to the designation of the Debtors as the disbursing agents for the collection and disbursement of funds pursuant to the Plan.

IV. VOTING PROCEDURES AND REQUIREMENTS

A. Voting Procedures

Pursuant to the Bankruptcy Code, only holders of allowed claims and allowed interests that are impaired under the terms and provisions of a plan are entitled to vote to accept or reject the plan. Holders of allowed claims and allowed interests that are unimpaired under the terms of a plan are conclusively presumed to have accepted the plan and are not entitled to vote on the plan. Holders of allowed claims and allowed interests who receive no distributions of property pursuant to a plan are conclusively presumed to have rejected the plan and are not entitled to vote.

Holders of Claims in Classes A-1, B-2 and D-1 are impaired and may receive distributions under the Plan. Therefore, holders of Claims in Classes A-1, B-2 and D-1 are entitled to vote to accept or reject the Plan. Holders of Claims or Interests in Classes B-4, C-1, E-2, F-1 and F-2 will not receive any distributions or retain any property under the Plan. Therefore, holders of Claims and Interests in Classes B-4, C-1, E-2, F-1 and F-2 are conclusively presumed to have voted to reject the Plan. Holders of Claims in Classes A-2, B-1 and E-1 are unimpaired under the terms of the Plan. Therefore, holders of Claims in Classes A-2, B-1, and E-1 are conclusively presumed to have accepted the Plan. Therefore, the Debtors are soliciting acceptances only from holders of Claims in Classes A-1, B-2 and D-1.

Holders of Claims in Classes A-1, B-2 and D-1 whose claims are deemed allowed pursuant to either section 502(a) or section 1111(a) may vote on the Plan. A Claim is not an Allowed Claim, however, simply because the holder of the Claim was permitted to vote on the Plan. Unless the Claim is otherwise allowed pursuant to the Plan or order entered in these Chapter 11 Cases, the Debtors reserve the right to object to the allowance of all Claims for all other purposes pursuant to the Plan, including distributions.

B. Voting Requirements

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims occurs when holders of at least two-thirds in dollar amount and more than one half in number of the allowed claims of that class that cast ballots for acceptance or rejection of the plan of reorganization vote to accept the plan. Thus, acceptance of the Plan by a particular Class of Claims will occur only if at least two-thirds in dollar amount and a majority in number of the holders of such Claims that cast their ballots vote in favor of acceptance.

C. Ballots and Voting Deadlines

A ballot to be used for voting to accept or reject the Plan is enclosed with this Disclosure Statement and Plan. See Exhibit C to the Plan. Class A-1, B-2 and D-1 claimants (the “Voting Claimants”) should carefully review the Disclosure Statement, Plan and instructions contained on the ballot. After reviewing the Disclosure Statement, Plan and Ballot, the Voting Claimants are encouraged to cast their vote by indicating your acceptance or rejection of the Plan on the ballot.

Garden City is the voting agent (the “Voting Agent”) to assist in the distribution of voting materials and in the tabulation of votes with respect to the Plan. In order for your vote to be counted, your vote must be received by the Voting Agent at the address set forth below before the voting deadline of 4:00 p.m. on September 23, 2005.

If you have any questions concerning voting procedures, you may contact the Voting Agent at:

The Garden City Group, Inc.
Attn.: United Producers, Inc.
105 Maxess Road
Melville, NY 11747-3826

Additional copies of this Disclosure Statement are available upon request made to the Voting Agent, at the address set forth immediately above.

V. CONFIRMATION OF THE PLAN

A. Requirements of Confirmation of the Plan

1. Section 1129 Requirements

The Bankruptcy Court will confirm the Plan only if all the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) is accepted by all impaired Classes of Claim entitled to vote or, if rejected by an impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class and as to the impaired Classes of Claims and Interests that are deemed to reject the Plan, (ii) is feasible and (iii) is in the “best interests” of the holders of Claims and Interests impaired under the Plan. BECAUSE THIS IS A JOINT PLAN, THESE REQUIREMENTS MUST BE MET AS TO EACH DEBTOR.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the court finds such plan to be feasible. A feasible plan is one which will not lead to a need for further reorganization of the debtor.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtors will have enough cash on hand subsequent to the Effective Date to pay all the Claims which are entitled to be paid under the Plan on or shortly after the Effective Date. The Debtors maintain that this aspect of feasibility is satisfied. As discussed in further detail in Section III.C.1. and 2. of this Disclosure Statement, the Debtors have sufficient funding to pay all obligations required under the Plan on or shortly after the Effective Date.

The second aspect of feasibility considers whether the Debtors will have enough cash over the life of the Plan to make the required Plan payments. Attached hereto and collectively

marked Exhibit B are the following financial information and cash flow projections:

- a. UPI Statement of Operations: 2003-2005
- b. PCC Statement of Operations: 2003-2005
- c. UPI Balance Sheet: 2003-2005
- d. PCC Balance Sheet: 2003-2005
- e. UPI Statement of Operations: 2005-2010
- f. PCC Statement of Operations: 2005-2010
- g. UPI Balance Sheet: 2005-2010
- h. PCC Balance Sheet: 2005-2010
- i. UPI Statement of Cash Flow: 2005-2010
- j. PCC Statement of Cash Flow: 2005-2010

The historical financial data allows creditors to put in perspective the future projections. The cash flow projections demonstrate that the Debtors will have sufficient funds with which to make all payments required under the Plan. Accordingly, the Plan is feasible.⁶

3. Best Interests Test

The Bankruptcy Code provides that a plan will not be confirmed, regardless of whether or not anyone objects to confirmation, unless the bankruptcy court finds that a plan is in the “best interests” of all classes of claims and interests that are impaired. The “best interests” test will be satisfied by a finding of the bankruptcy court that either (a) all holders of impaired claims or interests have accepted the plan, or (b) the plan will provide such a holder that has not accepted the plan with a recovery of at least equal in value to the recovery such holder would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

The starting point in determining whether the Plan meets the “best interests” test is a determination of the amount of proceeds that would be generated from the liquidation of the debtors assets in the context of a chapter 7 liquidation. Such value must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 Cases and allowed

⁶ With respect to UPI, the revenue disclosed in Exhibit B includes revenue from four (4) contractual relationships that UPI has with third parties. The total revenue from such relationships in 2004 was \$301,410.50. The revenue projections in Exhibit B assume that the revenue from these relationships will remain flat.

under chapter 7 of the Bankruptcy Code (such as professionals' fees and expenses), a trustee's fees, and the fees and expenses of professionals retained by a trustee. The potential chapter 7 liquidation distribution in respect of each class must be further reduced by costs imposed by the delay caused by conversion to chapter 7. The net present value of a hypothetical chapter 7 liquidation distribution in respect of an impaired class is then compared to the recovery in respect of such class provided for in the Plan.

Under chapter 7 of the Bankruptcy Code, a trustee is appointed and may not operate the business of the Debtors absent seeking and obtaining Bankruptcy Court approval. The Debtors doubt that a chapter 7 trustee could or would operate the Debtors' business. First, it is not typical for a chapter 7 trustee to elect to continue business operations. Second, the chapter 7 trustee may not have sufficient cash resources or the knowledge and expertise required to operate the business which could independently each preclude the continuation of business operations by the chapter 7 trustee.

Attached as Exhibit C-1 and C-2 are liquidation analyses reflecting UPI's and PCC's respective projections of the outcome were the chapter 7 trustee to cease operating the Debtors' businesses and sell their assets through an expedited liquidation as of the Effective Date. The figures are based upon the Debtors' books and records, the Debtors' experience within its industry, and the Debtors' and their financial advisors' evaluation of likely recoveries. Exhibit D-1 and D-2 shows a summary comparison of the potential recoveries under the Plan versus a chapter 7 liquidation for UPI and PCC, respectively.

The liquidation analysis reveals that the proceeds from the liquidation would be insufficient to pay CoBank, Debtors' secured lender, in full. Thus, the Debtors submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such

class would receive in a liquidation under chapter 7 of the Bankruptcy Code. Accordingly, the Plan satisfies the “best interests” test.

4. Cramdown

a. Treatment of Impaired Classes Who Reject the Plan

In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if the rejecting classes are treated in the manner required by the Bankruptcy Code. The process by which rejecting classes are forced to be bound by the terms of the Plan is commonly referred to as “cramdown.” The Bankruptcy Code allows the Plan to be “crammed down” on rejecting classes of Claims or Interests if it meets all the requirements under section 1129(a), except the voting requirements of section 1129(a)(8), and if the Plan does not “discriminate unfairly” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan as referred to in section 1129(b).

b. Request for Cramdown of Rejecting Impaired Classes

The Debtors have requested the Bankruptcy Court to confirm the Plan by cramdown on any impaired Classes of Claims who do not vote to accept the Plan.

c. Unfair Discrimination and Fair and Equitable Tests

A chapter 11 plan does not discriminate unfairly, within the meaning of section 1129(b), if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class of claims or interests receives more than it legally is entitled to receive for its claims or interests.

With respect to the fair and equitable test, the section 1129(b) provides different tests for secured creditors, unsecured creditors and equity holders.

With respect to a secured claim, “fair and equitable” means (i) the impaired secured creditor retains its liens to the extent of its allowed claim and receives deferred cash payments at least equal in value to the allowed amount of its claim with a present value as of the effective date of the plan at least equal in value to such creditor’s interest in the debtor’s interest in the property securing its claim, (ii) if property subject to the lien of the impaired secured creditor is sold free and clear of that lien, the lien attaches to the proceeds of the sale, and such lien proceeds are treated in accordance with clause (i) or (iii) of this paragraph, or (iii) the impaired secured creditor realizes the “indubitable equivalent” of its claim under the plan.

With respect to an unsecured claim, “fair and equitable” means either (i) each impaired unsecured creditor receives or retains property of a value, as of the effective date of the plan, equal to the amount of its allowed claim, or (ii) the holders of claims or interests that are junior to the claims or interests of the dissenting class will not receive or retain any property under the plan.

With respect to interests, “fair and equitable” means that each interest holder (a) will receive or retain property of a value as of the effective date of the plan, equal to the greatest of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such interest; or (b) the holder of any interest that is junior to the interests of such class will not receive or retain any property under the plan on account of such junior interest.

As to holders of Allowed Claims that are secured claims, the Plan provides that each holder will retain its liens to the extent of their Allowed Claims and receive deferred Cash payments at least equal in value to the allowed present value amount of their claim as of the Effective Date. As to holders of Allowed Claims that are general unsecured claims, no holder of

a Claim or Interest with rights junior to the holders of such Claims will receive any distributions or retain any property under the Plan. As to holders of Allowed Interests, although such holders will not receive or retain any property under the Plan, there is no class junior to such Interests which receives or retains any property under the Plan. Accordingly, the Debtors believe that the Plan does not discriminate unfairly as to any impaired Classes of Claims or Interests and is fair and equitable with respect to each such Class.

B. Effect of Confirmation

1. Binding Effect of Confirmation

Confirmation of the Plan by the Bankruptcy Court makes the Plan binding upon the Debtor, any person acquiring property under the Plan, and the holders of Claims and Interests, whether or not such creditor or interest holder (i) is impaired under or has accepted the Plan or (ii) receives or retains any property under the Plan.

2. Vesting of Assets Free and Clear of Liens, Claims and Interests

Except as otherwise provided in the Plan or Confirmation Order, upon the Effective Date, title to all assets and property of the Debtors, and all property of the Debtors' bankruptcy estates, including pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, each and every claim, demand or cause of action which the Debtors had or had power to assert immediately prior to Confirmation, will revert in the reorganized Debtors, free and clear of all liens, Claim and Interests. Thereafter, the reorganized Debtors will hold these assets without further jurisdiction, restriction or supervision of the Bankruptcy Court.

3. Good Faith

Confirmation of the Plan shall constitute a finding that the Plan has been proposed in good faith and in compliance with applicable provisions of the Bankruptcy Code. Accordingly,

on the Effective Date, the officers, directors, advisors, and attorneys of the Debtors, the Debtors and CoBank will be deemed exculpated by holders of Claims against and Interests in the Debtors and other parties in interest to the Chapter 11 Cases, from any and all claims, causes of action and other assertions of liability (including, without limitation, breach of fiduciary duty), arising out of or related to the Chapter 11 Cases, including without limitation, the formulation, negotiation, preparation, dissemination, confirmation and consummation of the Plan and any agreement, instrument or other document issued hereunder or related hereto; provided, however, that neither the Plan nor Confirmation shall have any effect on liability for any act or omission of the officers, directors, advisors and attorneys to the extent that such act or omission is ultra vires or constitutes gross negligence or willful misconduct.

4. Post Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the cases under §1112(8) after the Plan is confirmed if there is a material default in performing under the Plan. If the Court orders the cases converted after the Plan is confirmed, this Plan provides that property of the estates that has not been disbursed pursuant to the Plan will revert in the Chapter 7 estate and that the automatic stay will be reimposed upon the revested property to the extent that relief from stay was not previously authorized during these cases.

The Confirmation Order may also be revoked under very limited circumstances. The Court may revoke the Confirmation Order if and only if the Confirmation Order was procured by fraud and if a party in interest brings a motion to revoke Confirmation within 180 days after the entry of the Confirmation Order.

5. Final Decree

Once the Plan has been substantially consummated, the reorganized Debtors shall file a

motion with the Court to obtain a final decree to close these cases.

C. Confirmation Hearing

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on September 28, 2005, at 10:00 a.m. Eastern Daylight Savings Time before the Honorable Charles M. Caldwell, United States Bankruptcy Judge, at the United States Bankruptcy Court, 170 North High Street, Columbus, Ohio. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before September 23, 2005, 4:00 p.m. Eastern Daylight Savings Time. Objections to Confirmation of the Plan are governed by Rule 9014 of the Bankruptcy Rules. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection, and the amount of the Claim held by the objector. Objections must be served on the following parties:

Reginald W. Jackson
Vorys, Sater, Seymour and Pease LLP
52 East Gay Street
P.O. Box 1008
Columbus, OH 43216-1008

and

Office of the United States Trustee
170 North High Street, Suite 200
Columbus, OH 43215

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing or otherwise.

VI. RISK FACTORS

A. Financial Information

Although the Debtors have used their best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement. While the Debtors believe that such financial information fairly reflects the finances of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies or complete.

B. Business Risks

While Debtors' cash flow projections incorporate Debtors reasonable assumptions, there are events which could occur and risks associated with the Debtors' reorganization that would hinder the Debtors' ability to meet their Plan obligations. Moreover, the successful implementation of the Debtors' business plan is dependent on the interaction of many variables, including Debtors' ability to exploit and maintain their current market and competitive posture. While the Debtors believe that the cash flow projections are reflective of the Debtors' reasonable judgment in assessing those risks, factors or events not foreseen or anticipated by the Debtors could adversely affect the ability of the Debtors to execute their business plan strategies.

C. Certain Bankruptcy Risks

1. Risk of Nonconfirmation of the Plan

Even if all impaired Classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things: (a) that the confirmation of the plan not be followed by a need for further financial reorganization; (b) that the value of distributions to dissenting holders not be less than the value of distributions to such

holders if the debtor was liquidated under chapter 7 of the Bankruptcy Code; and (c) that the plan and the plan proponent otherwise comply with the applicable provisions of the Bankruptcy Code. Although the Debtors believe that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. Potential Effect of the Continuation of these Chapter 11 Cases

The effect, if any, which the continuation of these Chapter 11 Cases may have upon the operations of the Debtors cannot be accurately predicted or quantified. Although bankruptcy no longer has the same negative stigma it once had, some entities are uncomfortable doing business with a company that has sought bankruptcy relief. If Confirmation and consummation of the Plan do not occur expeditiously, the Chapter 11 Cases could adversely impact Debtors' relationships with its customers and employees, resulting in a material adverse impact on the Debtors' operations. As noted previously, farmers, producers, packers and others rely upon Debtors to provide a means to finance their livestock operations and/or to provide a mechanism to market their livestock; and in the case of packers, to provide a reliable source of livestock inventory. Any delay in Debtors emerging from bankruptcy could undermine the ability of these constituencies to successfully operate their businesses.

VII. ALTERNATIVES TO THE PLAN

The Debtors believe that, if the Plan is not confirmed or is not confirmable, the alternatives to the Plan include (a) the conversion to a chapter 7 case and concomitant liquidation of the Debtors' assets on a forced sale basis, and (b) an alternative plan of reorganization. The Debtors have considered these alternatives to the Plan. In the opinion of the Debtors, such alternatives would likely result in a lower return to creditors. Such conclusion is supported by the liquidation and creditor return analyses attached hereto as Exhibits C-1, C-2, D-1 and D-2.

The liquidation and creditor return analyses were prepared by DSI, Debtors' Court appointed financial consultants.

VIII. TAX CONSEQUENCES OF THE PLAN

There may be tax consequences for the holders of Claims and Interests as a result of implementation of the Plan, based upon the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated thereunder, statutes of other governmental units and related regulations, judicial authority and current administrative rulings and practice.

Each holder of a Claim or Interest is urged to consult its own tax advisor as to the consequences of the Plan to it under federal and applicable state, local and foreign tax laws.

IX. CONCLUSION AND RECOMMENDATION

The Debtors believe that the Plan complies in all respects with chapter 11 of the Bankruptcy Code and recommend to holders of Claims and Interests who are entitled to vote on the Plan that they vote to accept the Plan. Such holders are reminded that to be counted, each ballot, signed and marked to indicate the holder's vote, must be received by the Voting Agent no later than 4:00 p.m. on _____, 2005.

UNITED PRODUCERS, INC.

By: /s/Dennis Bolling
Dennis Bolling
Its: Chief Executive Officer

PRODUCERS CREDIT CORPORATION

By: /s/Dennis Bolling
Dennis Bolling
Its: Chief Executive Officer

