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Subject FW: Also from Karen Olson
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To jake@crystalclearcreative.com, scottj@criteriongeneral.com
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Sent on 09/27/2008 01:10 PM
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Further thoughts:

It appears from reading the Halcro blog that everyone knows of our troubles.

It may be better for our partnership, and for the dairy industry, if Rob and I simply move to enforce our agreement, where Kyle was to run

the milk operation and he was to pay us to stay out of it and to forswear the possibility of profit.

We did stay out of it; he has run it poorly; and he has put the entire dairy industry at risk for an ever-widening investigation closing off all loan sources and public goodwill.

The fact that Valley Dairy has none of our assets may be the best thing for the dairy farmers in the coming maelstrom.

Karen

—
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Subject FW: From Karen Olson
From kay@matanuskacreamery.com
To jake@crystalclearcreative.com, scottj@criteriongeneral.com
CC
BCC
Sent on 09/27/2008 01:08 PM
Size 8 KB
Priority Normal

Please forward this to Scott and Jake, and give to Kyle when you next see him. Thanks, Karen

Just to clarify:

Rob Wells and Company LLC and Karen Olson LLC have a partnership, with capitalization totalling \$485,000.

At the meeting yesterday, it was insisted upon that the equity shares in Valley Dairy remain at equivalent \$1 million, common stock only.

It was also insisted upon that the buy-in equity of the Rob Wells/Karen Olson partnership of \$475,000 be restricted to \$200,000, within the \$1 million. Since the grant paid for \$411,000 in hard assets, I must presume that Valley Dairy Inc. wants to use only \$200,000 of these assets for the loan, and for its balance sheet. Our proposal that the remaining \$285,000 be booked as non-dividend stock was refused.

Previous conversations have confirmed that our November 2007 agreement with Mr. Beus is considered void, and in any case Mr. Beus has been unable to perform on it. The revelations of the past week have crystallized for me that that agreement was simply a way to divert our grant money into a grandiose plan that has not worked. This does not, however, mean that the assets of the grant can be taken from us upon Mr. Beus' nonperformance.

We are thus confirming that Valley Dairy has no interest in the remaining \$211,000 in hard assets as an asset of Valley Dairy Inc, or the other assets. Thus, we will be retaining the balance, as specified in the grant requirements.

We will ask that Rural Development release its first position over \$200,000 in purchased assets, in favor of Valley Dairy Inc., since that is all the corporation wishes to include. We will retain the other \$275,000, plus \$10,000 match, in assets, within our partnership.

Should the corporation wish to avail itself of this additional equity, we will listen to any proposal. Failing that, we will simply retain the interest granted us by the federal government.

Perhaps I was not able to make myself understood yesterday that the Rural Development grant property remains with the grantee until it is either sold with approval, or depreciated out, and may only then be transferred at will. It may also be used for collateral, with permission of Rural Development. Others, however, may not coopt it nor devalue it.

Let's not forget that when Mr. Beus promised (to others) certain percentages for stock buy-in, the Rob Wells grant was not included in

these promised percentages. To try to include RW grant proceeds now, without commensurate stock percentage adjustments, is invalid.


Summation:

Valley Dairy, Inc., is allowing \$200,000 of Rob Wells/Karen Olson partnership to purchase stock, and RW/KO will allow that amount to be used within the dairy equity. The unpurchased remainder is \$285,000, and will stay with Rob Wells/Karen Olson partnership.

Since Rob and I still have the best interests of the dairy industry in mind, we will press forward with a loan request. I intend to book the portion of our rejected contribution as a long-term liability, behind the more pressing, current liabilities.

Karen Olson

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