

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:
JAMES BRUCE PREECE,

Case No. 03-44978

Debtor.

Chapter 7

Ken Schoenfelder, Blue Skies, Inc.

Adv. Pro. No. 03-4265

Plaintiff,

vs.

James Bruce Preece,

Defendant.

ANSWER TO AMENDED COMPLAINT

Defendant, James Bruce Preece, for his Answer to Amended Complaint of Ken Schoenfelder and Blue Skies, Inc., states and alleges as follows:

FIRST DEFENSE

I.

Defendant denies each and every allegation of the complaint, except as specifically admitted herein.

II.

Defendant admits paragraphs 1, 2, 3, 4, 5, 6, 7, 9, 18, 20, 24, 25, and 26 of the Amended Complaint.

III.

As to paragraph 8 of the Amended Complaint, it is true that the appointment as Sales Agent would have expired on approximately February 20, 2003, but this appointment was renewed.

IV.

As to paragraph 10 of the Amended Complaint, Defendant and Plaintiff communicated casually every year for the past several years regarding helicopter sales.

V.

As to paragraph 12 of the Amended Complaint, Defendants admits that Exhibit "A" memorialized the transaction, but Exhibit "A" is not a complete memorial of the transaction. The transaction was also memorialized by a promissory note and a U.C.C. security agreement.

VI.

As to paragraph 13 of the Amended Complaint, Defendant denies that the \$260,000.00 was to be transferred to him personally. Debtor otherwise admits the allegation, but states that the agreement to transfer the Helicopter to Plaintiff was contingent on the ability of Helicopter Flight, Inc. to acquire the Helicopter and Plaintiff was aware of this contingency.

VII.

As to paragraph 14 of the Amended Complaint, Defendant admits that the funds were wired, but denies that they were wired to him personally.

VIII.

As to paragraph 15 of the Amended Complaint, Defendant admits that the funds loaned from Plaintiff were not used to purchase a Helicopter, but denies that he diverted the funds for his own use. The funds were used for business purposes of Helicopter Flight, Inc. and not personal purposes.

IX.

As to paragraph 19 of the Amended Complaint, Defendant admits the allegation, but Plaintiff knew that bill of sale was only to be exercised if Defendant obtained title to the Helicopter.

Plaintiff was also aware at the time that the bill of sale was issued that there was a security interest against the Helicopter in favor of a bank for an unsatisfied loan.

IX.

As to paragraph 23 of the Amended Complaint, Plaintiff and Defendant agreed that the Helicopter would be transferred to a neutral location. Stanger only asserted ownership when Plaintiff wrongfully seized the Helicopter and began using it for his own purposes.

FIRST DEFENSE

Plaintiff made the loan that is the subject of the Amended Complaint to Helicopter Flight, Inc. and it is not a personal liability of Defendant. It is a contractual obligation solely between Plaintiff and Helicopter Flight, Inc. Defendant is not a proper party to this action.

SECOND DEFENSE

Defendant and Helicopter Flight, Inc. were not obligated to segregate funds under the agreement with Plaintiff.

THIRD DEFENSE

At the time that Helicopter Flight, Inc. used the funds supplied by Plaintiff, it and the Defendant had a reasonable belief that it would be able to repay the debt.

FOURTH DEFENSE

The Amended Complaint fails to state a claim upon which relief can be granted.

WHEREFORE, Defendant requests:

1. That Plaintiff's request for relief be denied;
2. That the Court dismiss the Amended Complaint with prejudice.

Dated: 9/29/03

By: /s/ Gregory J. Wald

Gregory J. Wald, Attorney for the
Defendant

3601 Minnesota Drive, Suite 800

Edina, MN 55435

(952) 921-5802 ID 165244244

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In Re: James Bruce Preece

**U. S. BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

Debtor(s) Case Number BKY: 03-44978

**UNSWORN DECLARATION
FOR PROOF OF SERVICE**

I, Julie Nistler, of the office of Gregory J. Wald, attorney licensed to practice law in this court, with office address of 3601 Minnesota Drive, Suite 800, Edina, MN 55435, declares that on **September 29, 2003**, I served the Answer to Amended Complaint upon each of the entities named below by mailing to each of them a copy thereof by enclosing same in an envelope with first class mail postage prepaid and depositing same in the post office at Edina, Minnesota addressed to each of them as follows:

Brian F. Leonard, Trustee
100 South Fifth Street, Ste 1200
Minneapolis, MN 55402

Michael Dietz, Esq.
Dunlap & Seeger, P.A.
206 South Broadway
Suite 505
PO Box 549
Rochester, MN 55903

And I declare, under penalty of perjury, that the foregoing
is true and correct.

Executed: 9-29-03

Signed: Julie Nistler
