

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In RE:

RATZ, GREGORY,
RATZ, JILL,

Debtors.

Chapter 7
Case No.: 03-61308
Adv. No.:

Jerry Michaelson, individually &
Dr. Gregg Sonstegard, individually,

Plaintiffs,

Gregory Ratz and Jill Ratz,

Defendants.

COMPLAINT TO DETERMINE DISCHARGEABILITY

Jerry Michaelson, individually and Dr. Gregg Sonstegard, individually, plaintiffs herein, by Logan Moore, Esq., plaintiffs' attorney, complaining of the defendants, alleges:

1. Jurisdiction of this court is based on Bankruptcy Rule 7001(4) and Title 28 U.S.C. §1334, and constitutes a "core" proceeding as defined in title 28 U.S.C. §157(b)(2)(I) & (J).
2. The defendants filed for bankruptcy protection on October 16, 2003 under Chapter 13 of the Bankruptcy Code. On October 31, 2003, the defendants converted their case to Chapter 7 of the Bankruptcy Code. On February 9, 2004, the Meeting of Creditors was held in Fergus Falls, MN. Pursuant to a Motion filed by the Trustee, Tamara Yon, the Court issued an Order deferring discharge on February 24, 2004.
3. Upon information and belief, the defendants, along with Jeffrey Ratz and Lisa Ratz, formed a business partnership named "Ratz Diary Farm" and filed an Assumed Name with the Minnesota Secretary of State to this effect on May 22, 1997.
4. According to Document 806691, see attached Exhibit A, the Ratz Diary Farm, on or around May 19, 1997, purchased approximately 54 acres in the North Half of the Northeast Quarter of Section 19, Township 137, Range 40, Otter Tail County, Minnesota.
5. Gregory Ratz testified at the Meeting of Creditors to the fact that the partnership operated a diary farm, on the property listed in paragraph 3, until approximately May, 2002. Furthermore, Gregory Ratz testified that the majority of the debts listed on his bankruptcy, which is nearly identical to that of the defendants, were partnership debts.

6. Ratz Dairy Farm incurred new debts against the plaintiffs into the Spring of 2002.
7. According to Document 923815, see attached Exhibit B, on March 21, 2003, the Ratz Dairy Farm conveyed the real property described in paragraph 4 to Mitchell Farms Partnership. According to the Certificate of Real Estate Value from this transaction, see attached Exhibit C, the total purchase price was \$500,000.
8. According to Document 931723, see attached Exhibit D, on June 26, 2003, the defendants purchased their current homestead for approximately \$139,000.00 according to the Deed Tax entered on the deed.
9. Upon information and belief, there are no recorded mortgages against the real property that the defendants purchased.
10. At the Meeting of Creditors, Gregory Ratz testified that cash was paid for his current homestead, and that the funds used to purchase the homestead came from the proceeds of the sale of the partnership.

Count I
Dischargeability under 11 U.S.C. 523(a)(4)

11. The plaintiffs reincorporate paragraphs and referenced exhibits one through eleven as if fully set forth herein.
12. Upon information and belief, under 11 U.S.C. section 523(a)(4), the defendants committed fraud while acting in the fiduciary capacity as a partner of Ratz Dairy Farm.
13. The defendants caused the plaintiffs to supply goods and services to the Ratz Dairy Farm Partnership under the false representation the Ratz Dairy Farm would pay the debt.
14. The defendants had a fiduciary duty to the Partnership and its creditors as partners of the partnership. Pursuant to Minn. Stat. 323A.8-07, the defendants had a duty to apply the assets of the partnership to the discharge of the obligations of creditors of the partnership.
15. On or around March 21, 2003, substantially all the assets of the Ratz Dairy Farm Partnership were sold for \$500,000.
16. The debts owed to the plaintiffs were partnership debts.
17. The defendants admitted at the meeting of creditors to using the proceeds of the partnership to purchase their homestead for their own personal use.
18. The defendants committed fraud against creditors of the Partnership, including the plaintiffs, while acting as partners of the partnership by selling the assets of the partnership and converting the assets of the partnership to personal use instead of satisfying obligations to creditors pursuant of Minn. Stat. 323A.8-07.

Count II
Dischargeability Pursuant to 11 U.S.C. § 523(a)(2)(A)

19. The plaintiff reincorporates paragraphs and referenced exhibits one through eighteen as if fully set forth herein.
20. Upon information and belief, the plaintiffs assert that the defendants sold the assets of Ratz Dairy Farm with actual intent to hinder, delay, or defraud the plaintiffs.
21. Upon information and belief, the defendants sold substantially all of the assets of Ratz Dairy Farm and transferred the proceeds of the sale to themselves as individuals for their personal benefit disregarding the claims of partnership creditors.
22. The debtors represented to the plaintiffs that their claims would be paid, knowing that the Ratz Dairy Farm was not viable, in order to receive continued services and goods for Ratz Dairy Farm.
23. Upon reliance on the representations of the debtors, the plaintiffs continued to provide services and goods to the defendants from which the plaintiffs never received compensation.
24. Upon information and belief, the defendants became insolvent shortly after the sale of partnership assets by converting partnership assets into homestead property to protect partnership assets from creditors.

Wherefore, plaintiffs pray for judgment to be entered against the defendants that all debts owed to the plaintiffs by the defendants and Ratz Dairy Farm are determined nondischargeable. Furthermore, that the defendants homestead be determined non-homestead property given the fact that it was purchased with converted partnership assets, and for such other and further relief as the Court deems just and equitable.

Dated: _____

4/7/04



Logan Moore, Attorney for Plaintiff
1118 Broadway
Alexandria, MN 56308
(320) 763-6561
Atty. Reg. No. 312083

Verification. I, Jerry Michaelson, the moving party named in the foregoing Complaint, declare under penalty of perjury that the foregoing is true and correct according to the best of my knowledge, information and belief.

Executed on 4-6-04.

Signed:


Jerry Michaelson
Rt. 2 Box 49
Crookston, MN 56716

Verification. I, Gregg Sonstegard, the moving party named in the foregoing Complaint, declare under penalty of perjury that the foregoing is true and correct according to the best of my knowledge, information and belief.

Executed on 4/7/04

Signed:



Dr. Gregg Sonstegard
1870 Golden Drive SW
Alexandria, MN 56308

1997

Office of County Recorder
County of Otter Tail

AB

Warranty Deed
Individual to Corporation or Partnership

I hereby certify that the within instrument was filed
for record in this office on the 19 day of
May A.D. 1997 at 2:50 p.m.
and was duly Microfilmed as Doc. # 806691

Wendy Metcalf
County Recorder

67-64 Deputy
Ranatal

WARRANTY DEED

No delinquent taxes and transfer entered; Certificate of Real Estate Value () filed (X) not required Certificate of Real Estate Value No. <u>May 19, 1997</u> <u>Wayne Stein</u> County Auditor by <u>ju</u> Deputy
--

STATE DEED TAX DUE
HEREON: \$ 1.65

Date: April 4, 1997

FOR VALUABLE CONSIDERATION, JOHN RATZ, aka JOHN H. RATZ, a single person, LEO RATZ, aka LEO R. RATZ and SHARON RATZ, husband and wife, Grantors, hereby convey and warrant to RATZ DAIRY FARM, a general partnership under the laws of the State of Minnesota, comprised of Greg Ratz and Jeff Ratz, Grantee, real property in Otter Tail County, Minnesota, described as follows:

All that part of the North Half of the Northeast Quarter, Section 19, Township 137 North, Range 40 West, Otter Tail County, Minnesota, lying southerly, southeasterly, easterly, northerly and easterly of the following described line.

Beginning at the Northeast corner of said Section 19; thence on an assumed bearing of South 89 degrees 37 minutes 13 seconds West along the North line of said Section 19 a distance of 956.26 feet to the centerline of Otter Tail County Road #4 as now constructed and traveled; thence South 58 degrees 55 minutes 00 seconds West along said centerline a distance of 1236.92 feet; thence South 14 degrees 07 minutes 30 seconds East a distance of 233.17 feet; thence North 70 degrees 48 minutes 31 seconds East a distance of 122.91 feet; thence South 15 degrees 06 minutes 58 seconds East to the south line of said North One Half of the Northeast One Quarter and there terminating.

Subject to easement for County Road purposes.
Subject to easement for Township Road purposes.
Subject to any and all easements of record.

together with all hereditaments and appurtenances belonging thereto, subject to the following exceptions:

32.000-19-0145-000
1997

Exhibit B

923815

OFFICE OF COUNTY RECORDER
OTTER TAIL MINNESOTA

I hereby certify that
this instrument # 923815
was filed/recorded in this office
for record on the 21st day of
March 2003 at 4:30 am/pm
Wendy L. Metcalf, County Recorder
by Shelley K. Moran Deputy
20.00 chkr recording fee
well certificate

Becker City Title

No delinquent taxes and transfer entered; Certificate of
Real Estate Value () filed () not required.

Certificate of Real Estate Value No. 072234
March 21 2003
(Year)

Wayne Stein, County Auditor

by Cora A. Nelson
32-000-19-0145-002 Deputy

9-M WARRANTY DEED

Corporation, Partnership or Limited Liability Company
to Corporation, Partnership or Limited Liability Company

STATE DEED TAX DUE HEREON: \$ 1,650.00

Date: March 21, 2003

FOR VALUABLE CONSIDERATION, Ratz Dairy Farm, a Partnership under the laws of Minnesota, Grantor, hereby conveys and warrants to Mitchell Farms Partnership, Grantee, a Minnesota Partnership, real property in Otter Tail County, Minnesota, described as follows:

All that part of the North Half of the Northeast Quarter, Section 19, Township 137 North, Range 40 West, Otter Tail County, Minnesota, lying southerly, southeasterly, easterly, northerly and easterly of the following described line:
Beginning at the northeast corner of said Section 19; thence on an assumed bearing of South 89 degrees 37 minutes 13 seconds West along the North line of said Section 19 a distance of 956.26 feet to the centerline of Otter Tail County Road #4 as now constructed and traveled; thence South 58 degrees 55 minutes 00 seconds West along said centerline a distance of 1236.92 feet; thence South 14 degrees 07 minutes 30 seconds East a distance of 233.17 feet; thence North 70 degrees 48 minutes 31 seconds East a distance of 122.91 feet; thence South 15 degrees 06 minutes 58 seconds East to the south line of said North One Half of the Northeast One Quarter and there terminating.

together with all hereditaments and appurtenances belonging thereto, subject to the following exceptions:

Covenants, Easements and Restrictions of Record, if any.

Check Box if Applicable:

- The Seller certifies that the seller does not know of any wells on the described real property.
- A well disclosure certificate accompanies this document.
- I am familiar with the property described in this instrument and I certify that the status and number of wells on the described real property have not changed since the last previously filed well disclosure certificate.

COUNTY OF OTTER TAIL
STATE OF MINNESOTA
DEED TAX \$ 1,650.00
NUMBER 31764379
DATE 3-21-03

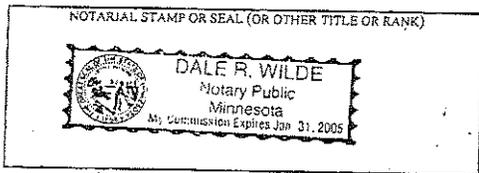
Ratz Dairy Farm

Jeff M. Ratz
By: Jeff M. Ratz
Its: Partner

Greg R. Ratz
By: Greg R. Ratz
Its: Partner

STATE OF MINNESOTA)
) ss.
COUNTY OF OTTER TAIL)

The foregoing instrument was acknowledged before me on this 21st day of March, 2003, by Jeff M. Ratz, Partner, and Greg R. Ratz, Partner of Ratz Dairy Farm, a Partnership under the laws of Minnesota, on behalf of the Partnership.



Wendy L. Metcalf
SIGNATURE OF PERSON TAKING ACKNOWLEDGEMENT

Check here if part or all of the land is Registered (Torrens)
Tax Statements for the real property described in this instrument should be sent to
(include name and address of Grantee):

THIS INSTRUMENT WAS DRAFTED BY (NAME AND ADDRESS)

Becker County Title Services, Inc.
828 Minnesota Avenue
Detroit Lakes, MN 56501
Order No.: 13103

Mitchell Farms Partnership
17819 230th AVE
DETROIT LAKES
MINN 56501

Certificate of Real Estate Value

PE-20

Buyer name(s), first, middle initial: Mitchell Farms Partnership Address: 17819 230th AVE Daytime phone: 439-6936
 Seller's last name(s), first, middle initial: Ratz Dairy Farm New address: 22892 County Rd, Frazer MN 56544 Daytime phone: 439-6936
 Street address or rural route of property purchased: 22892 Co Rd #4, Frazer, Minn City or township: Frazer County: MN
 Date of deed or contract: 3/21/03 Legal description of property purchased (lot, block and plat, or attach 3 copies of the legal description): attached

Financial arrangements
 2 Total purchase price: 500,000.00
 3 Down payment: Ford payloaders 15,000 Bobcat truck \$2,000
Mixing wagon \$15,000 Fuel \$11,000
 4 Points or prepaid interest paid by seller: Silage Damp wagon 2,000 \$
 Was personal property such as furniture, inventory or equipment included in the purchase price? yes no
 If yes, describe below and list current (not replacement) value. (Use the back of this page if needed.)
 Total personal property current value: \$45,000

6 Type of acquisition (check all that apply)
 Buyer and seller are relatives or related businesses
 Property is a gift or inheritance
 Transaction involved the trade of property
 Buyer is a religious or charitable organization
 Buyer is a unit of government
 Condemnation or foreclosure transaction
 Payoff or resale of contract
 Name added to or co-owner's name removed from deed (not a sale)
 Buyer purchased partial interest only
 Purchase agreement signed over two years ago. Year signed: _____

7 Type of property transferred (check all that apply)
 Land only
 Land and buildings
 Construction of a new building after January 1 of year of sale

8 Planned use of property (check one)
 Residential, single family
 Residential duplex, triplex
 Cabin or recreational (non-commercial)
 If you check one of the four boxes below, you must complete schedule PE-20A and attach it to this certificate.
 Agricultural (number of acres): 54
 Apartment building (number of units): _____
 Commercial-industrial (type of business): _____
 Other (describe): _____

8A Will this property be the buyer's principal residence? yes no

Method of financing (complete only if seller-financed, including a contract for deed or assumed mortgage)

9 Assumed Mortgage Contract for Deed
 Mortgage or contract for deed amount at purchase: _____ Monthly payment for principal and interest: _____ Interest rate now in effect: _____ Total number of payments: _____ Date of any lump sum (balloon) payments: _____
 10 _____ _____

I declare that the information on this form is true, correct, and complete to the best of my knowledge and belief.

Name (print or type): Jeffrey Ratz Signature: [Signature] Daytime phone: () Date: _____

Co	<input checked="" type="checkbox"/> C	Yr Bldg	SD	Yr	Land	Bldg	Tot
Acres	Tillable	CER	CRP RIM	Use	Deed	Yr	Land
				WD			

Good for study yes no If no, give reason/code _____

X	HC	ST	Adjc	Adjs	Use	Tillable EMV	Apt	FM
	GA	C	1	MV	2	MV	ID	
Co	CT	PT	Date	T	M	S		

Primary property identification #: 32-000-17-0143-002
 Secondary parcel identification #: _____
 Are there more parcels? yes no
 Put extra identification numbers on back of this form.

Certificate of Real Estate Value Supplemental Schedule

Complete this form for apartment, commercial/industrial or farm sales only.

Name of buyer

Mitchell Farms Partnership

Certificate of Real Estate Value sequence number

810952

1 If the sale price includes any personal property (e.g., furniture, appliances, supplies, fixtures, machinery or stock inventories) or other items (e.g., the goodwill of the business, the name of the business, franchise, or an agreement not to compete), fill in the total value of those items here \$ 45,000.00

2 If the buyer or seller paid someone to make an appraisal of the property's value prior to its sale, check this box [] and, if known, fill in the appraised value \$ -

3 Commercial/industrial properties: From the list of property uses on the back of this form, fill in the number for the use that best describes how the property was used just before it was sold 940

Fill in the number that best describes what the property will be used for after the sale

4 Apartment properties: If the property sold was an apartment building, fill in the total number of apartment buildings included in the sale price -

Fill in the total number of rental units in all buildings -

5 Farm properties: How many acres are irrigated? -

How many acres are enrolled in Reinvest in Minnesota (RIM)? -

How many acres are enrolled in the Conservation Reserve Program (CRP)? -

All properties

6 Was the buyer of this property an owner of a property adjacent to it? If yes, in your opinion, did the buyer pay a higher price for the property than other potential buyers would have likely paid for it? Yes [] No [X]

7 Does the total purchase price listed on line 2 of the Certificate of Real Estate Value represent the allocation of a sale price that includes another property or properties sold to this buyer at the same time? Yes [] No [X]

8 Did the buyer lease the property from the seller before the purchase? Yes [] No [X] Did the seller lease the property from the buyer after the purchase? Yes [] No [X]

9 Was this sale announced and/or promoted through realtor listings, newspaper or other publications, advertisements, or through brochure or other promotional or informational mailings? Yes [X] No [] If you answered no, how did you learn that the property was for sale?

10 If the property was rental property, was the buyer guaranteed a minimum level of rental income? Yes [] No [X]

11 Were the buyer and seller family members, business partners, business affiliates, one subsidiary to the other, joint owners of the property or stockholders of the business? Yes [] No [X]

12 When the property was sold, was a foreclosure, court judgment, order or other legal proceeding pending in connection with the property? Yes [] No [X]

13 In your opinion, is the price the property was sold for considerably different from what you believe other similar properties would sell for? Yes [] No [X] If yes, explain briefly:

Mitchell Farms Partnership (Signature)

Signature of buyer

Print name

03/21/03

Date

Daytime phone

Jan Schwardt Barbara Schwardt

Mail to your county auditor's or recorder's office with your deed or contract for deed and your Certificate of Real Estate Value.

931723

OFFICE OF COUNTY RECORDER
OTTER TAIL MINNESOTA

I hereby certify that
this instrument # 931723
was filed/recorded in this office
for record on the 26th day of
June 2003 at 4:30 am/pm
Wendy L. Metcalf, County Recorder
by: Justin Patten Deputy
30.00 recording fee
30.00 well certificate

Krehelberg

Warranty Deed
Corporation or Partnership
to Joint Tenants

No delinquent taxes and transfer
entered; Certificate of Real Estate
Value () filed () not required
Certificate of Real Estate Value

No. 073032, 2003
June 26
Wayne Stein County Auditor
by Cora A. Nelson Deputy

COUNTY OF OTTER TAIL
STATE OF MINNESOTA
DEED TAX \$ 458.70
NUMBER 17-171650
DATE 6-24-03

(reserved for recording data)

STATE DEED TAX DUE HEREON: \$458.70

Date: June 26, 2003

FOR VALUABLE CONSIDERATION, Ratz Farms, a general partnership under the laws of Minnesota, Grantor, hereby conveys and warrants to Gregory Ratz and Jill Ratz, husband and wife, as joint tenants, Grantee(s), real property in Otter Tail County, Minnesota, described as follows:

SEE EXHIBIT A

together with all hereditaments and appurtenances belonging thereto, subject to the following exceptions:

Easements, restrictions and reservations of record, if any.

(Affix Deed Tax Stamp Here)

RATZ FARMS

#145
I hereby certify that the
taxes for the year 2003
for the lands described
within are paid
Andrew J. ... County Treasurer

By John Ratz
John Ratz

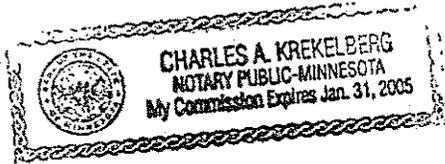
By Leo Ratz
Leo Ratz

STATE OF MINNESOTA

COUNTY OF St. Louis) ss.

Jan The foregoing was acknowledged before me this 27 day of Jan 2003 by John Ratz and Leo Ratz, partners of Ratz Farms, a partnership under the laws of Minnesota, on behalf of the general partnership.

Notarial Stamp or Seal
(or other title or rank)



[Signature]
SIGNATURE OF PERSON TAKING
ACKNOWLEDGMENT

Tax Statements for the real property described in this instrument should be sent to (Include name and address of Grantee):

THIS INSTRUMENT WAS DRAFTED BY:

KREKELBERG & SKONSENG, P.L.L.P.
Attorneys at Law
P.O. Box 353
Pelican Rapids, MN 56572

Greg & Jill Ratz

33864 County Hwy. 4
Frazee, MN 56544

EXHIBIT A

Ratz Farms - Tract A - 9.49 acre tract

Land description: Pt 32-000-19-0145-000

That part of the Northwest Quarter of the Northeast Quarter of Section 19, Township 137 North, Range 40 West of the Fifth Principal Meridian in Otter Tail County, Minnesota, described as follows:

Commencing at a found iron monument which designates the northeast corner of said Section 19; thence North 87 degrees 17 minutes 04 seconds West 956.02 feet on an assumed bearing along the north line of said Section 19 to the centerline of County State Aid Highway No. 4; thence South 61 degrees 59 minutes 40 seconds West 1236.92 feet along the centerline of said County State Aid Highway No. 4 to the most westerly corner of Mitchell Farms Partnership's land as described in Document No. 923815 and recorded in the office of the Recorder in said County, said point is the point of beginning; thence South 11 degrees 02 minutes 50 seconds East 233.17 feet along the westerly line of said Mitchell Farms Partnership's land; thence North 73 degrees 53 minutes 11 seconds East 122.91 feet continuing along the westerly line of said Mitchell Farms Partnership's land; thence South 12 degrees 02 minutes 18 seconds East 516.71 feet continuing along the westerly line of said Mitchell Farms Partnership's land to the south line of said Northwest Quarter of the Northeast Quarter; thence North 87 degrees 20 minutes 39 seconds West 855.67 feet along the south line of said Northwest Quarter of the Northeast Quarter to the southwest corner of said Northwest Quarter of the Northeast Quarter; thence North 00 degrees 19 minutes 06 seconds West 351.38 feet along the west line of said Northwest Quarter of the Northeast Quarter to the centerline of said County State Aid Highway No. 4; thence North 62 degrees 15 minutes 00 seconds East 531.88 feet along the centerline of said County State Aid Highway No. 4; thence North 61 degrees 59 minutes 40 seconds East 130.78 feet continuing along the centerline of said County State Aid Highway No. 4 to the point of beginning. The above described tract contains 9.49 acres.

SUBJECT TO County State Aid Highway No. 4 right of way easement over, under and across that part of the above tract described as follows:

Beginning at the aforementioned point of beginning; thence South 61 degrees 59 minutes 40 seconds West 130.78 feet along the centerline of said County State Aid Highway No. 4; thence South 62 degrees 15 minutes 00 seconds West 531.88 feet continuing along the centerline of said County State Aid Highway No. 4 to the west line of said Northwest Quarter of the Northeast Quarter; thence South 00 degrees 19 minutes 06 seconds East 56.33 feet along the west line of said Northwest Quarter of the Northeast Quarter; thence North 62 degrees 15 minutes 00 seconds East 273.27 feet; thence North 27 degrees 45 minutes 00 seconds West 10.00 feet; thence North 62 degrees 15 minutes 00 seconds East 284.65 feet; thence North 61 degrees 59 minutes 40 seconds East 118.67 feet; thence North 11 degrees 02 minutes 50 seconds West 41.82 feet to the point of beginning of said County State Aid Highway No. 4 right of way easement.