

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In RE:

RATZ, JEFFREY,
RATZ, LISA,

Debtors.

Chapter 7
Case No.: 03-61309
Adv. No.:

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

Plaintiffs,

Jeffrey Ratz and Lisa 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 28, 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 Gregory Ratz and Jill Ratz, formed a business partnership named "Ratz Dairy 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 Dairy 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, who filed for bankruptcy October 16, 2003, and had his Meeting of Creditors just prior to that of the defendants, testified to the fact that the partnership operated a dairy farm, on the property listed in paragraph 3, until approximately May, 2002. Furthermore, Gregory Ratz testified at the Meeting of Creditors 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 931724, see attached Exhibit D, on June 26, 2003, the defendants purchased their current homestead for approximately \$143,000 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, Jeff 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 to close, in order to receive continued services 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. Furthermore, the defendants converted partnership assets into homestead property to improperly 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: 4/7/09



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 acknowledged as Doc. **806691**

Wendy Metcalf
County Recorder

67-64

Deputy

Rametal

WARRANTY DEED

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

Certificate of Real Estate Value No. May 19, 1997

Wayne Stein
County Auditor

by ja 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

I hereby certify for the R.A.C.

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 Wendy L. Metcalf Deputy
20.00 recording fee
well certificate

Becker Cty 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 3176379
DATE 03.21.03

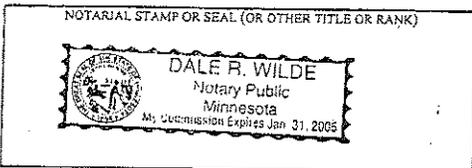
Ratz Dairy Farm

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.



Dale R. Wilde
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 330th 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, Detroit Lakes, MN
Sellers' last name(s), first, middle initial: Ratz Dairy Farm
New address: 22892 County Rd, Frazer, MN 56544
Date of deed or contract: 3/21/03
Legal description of property purchased: attached

Financial arrangements

2 Total purchase price: 500,000.00
3 Down payment:
4 Points or prepaid interest paid by seller:
Was personal property such as furniture, inventory or equipment included in the purchase price? Yes
Ford Payloads 16,000 Bobcat Attach \$2,000
Mixing wagon \$15,000 Fuel \$11,000
Silage Damp wagon 2,000
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)
Agricultural (number of acres): 54
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)

Check: Assumed Contract Mortgage 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

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): Jeffery Ratz
Signature: [Signature]
Daytime phone:
Date:

Co: C
Yr Bldg:
Land:
Bldg:
Tot:
Primary property identification #: 20-000-17-0143-002
Secondary parcel identification #:

Good for study:
X HC ST Adjc Adjs Use Tillable EMV Apt FM
GA C 1 MV 2 MV ID
Co CT PT Date T M S
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... \$ 45,000.00
2 If the buyer or seller paid someone to make an appraisal... \$ -
3 Commercial/industrial properties: From the list of property uses... 990
4 Apartment properties: If the property sold was an apartment building... -
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...
7 Does the total purchase price listed on line 2 of the Certificate of Real Estate Value represent the allocation of a sale price...
8 Did the buyer lease the property from the seller before the purchase? Did the seller lease the property from the buyer after the purchase?
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? 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?
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?
12 When the property was sold, was a foreclosure, court judgment, order or other legal proceeding pending in connection with the property?
13 In your opinion, is the price the property was sold for considerably different from what you believe other similar properties would sell for? If yes, explain briefly:

Signature of buyer: Mitchell Farms Partnership; Print name: Gary Schwauff; Date: 03/21/03; Daytime phone: Barbara Schwauff

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

2.

931724

OFFICE OF COUNTY RECORDER
OTTER TAIL MINNESOTA

I hereby certify that this instrument # 931724

was filed/recorded in this office for record on the 26th day of

June 2003 at 4:35 am/pm

Wendy L. Metcalf, County Recorder

by: Justin Kaitain Deputy

20.00 recording fee

30.00 well certificate

Knebelberg

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. 073031
June 26, 2003

Wayne Stein County Auditor
by Cora A. Nelson Deputy

COUNTY OF OTTER TAIL
STATE OF MINN. DEED TAX \$ 429.00
NUMBER 2-77631-
DATE 6-24-03

(reserved for recording data)

STATE DEED TAX DUE HEREON: \$ 429.00

Date: June 26, 2003

FOR VALUABLE CONSIDERATION, Ratz Farms, a general partnership under the laws of Minnesota, Grantor, hereby conveys and warrants to Jeffrey Ratz and Lisa 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

By John Ratz
John Ratz

By Leo Ratz
Leo Ratz

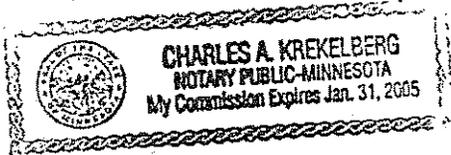
#139
I hereby certify that the taxes for the year 2003 for the lands described within are paid.
Andrew J. Nelson County Treasurer

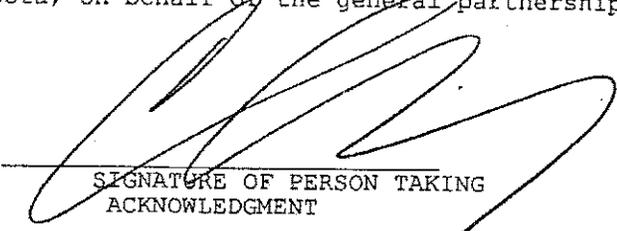
STATE OF MINNESOTA

COUNTY OF Itasca ss.

The foregoing was acknowledged before me this 20 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 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

Jeffrey & Lisa Ratz
33864 County Hwy. 4
Frazee, MN 56544

EXHIBIT A

Ratz Farms- Tract B - 19.84 acre tract

Land description:

That part of Government Lot 2 and that part of Government Lot 3 in Section 19, Township 137 North, Range 40 West of the Fifth Principal Meridian in Otter Tail County, Minnesota, described as follows:

Beginning at a found iron monument which designates the west quarter corner of said Section 19; thence North 00 degrees 09 minutes 04 seconds West 111.09 feet on an assumed bearing along the west line of said Section 19 to the centerline of County State Aid Highway No. 4; thence North 61 degrees 09 minutes 20 seconds East 1361.68 feet along the centerline of said County State Aid Highway No. 4; thence South 14 degrees 34 minutes 08 seconds West 66.00 feet to an iron monument; thence continuing South 14 degrees 34 minutes 08 seconds West 1529.24 feet to an iron monument; thence continuing South 14 degrees 34 minutes 08 seconds West 3.24 feet to the northeasterly right of way line of Trunk Highway No. 228; thence North 47 degrees 51 minutes 57 seconds West 610.97 feet along the northeasterly right of way line of said Trunk Highway No. 228; thence northwesterly continuing along the northeasterly right of way of said Trunk Highway No. 228 on a spiral curve having a central angle of 14 degrees 00 minutes 00 seconds and a spiral chord bearing of North 52 degrees 38 minutes 25 seconds West 417.54 feet; thence northwesterly continuing along the northeasterly right of way line of said Trunk Highway No. 228 on a curve concave to the southwest, having a central angle of 00 degrees 20 minutes 23 seconds and a radius of 893.51 feet, for a distance of 5.30 feet (chord bearing North 62 degrees 03 minutes 30 seconds West) to the west line of said Section 19; thence North 00 degrees 21 minutes 54 seconds West 113.34 feet along the west line of said Section 19 to the point of beginning. The above described tract contains 19.84 acres.

SUBJECT TO County State Aid Highway No. 4 right of way easement over, under and across that part of the above tract which lies within 50.00 feet of the centerline of said County State Aid Highway No. 4.

PT 32-000-19-0139-000