

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In Re:

Bankruptcy No.: 04-60106

Daniel S. Miller,

Debtor.

In Proceeding Under  
Chapter 11

**AMENDED**  
DEBTOR'S DISCLOSURE STATEMENT  
DATED AUGUST 4, 2004

A. Purpose of Disclosure Statement

Daniel S. Miller (hereinafter referred to "Debtor"), provides this Debtor's Disclosure Statement ("Disclosure Statement") to all of his known creditors. The purpose of the Disclosure Statement is for the Debtor to disclose that information deemed to be material, important and necessary for the creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance or rejection of the Debtor's Plan of Reorganization ("Plan"). That Plan is presently on file with the United States Bankruptcy Court for the District of Minnesota, ("Bankruptcy Court") and a copy accompanies this Disclosure Statement. The proposed Plan distributions are summarized in Article II.A, entitled "Summary Table of Plan Distributions," and are discussed in detail in Article III.B of this Disclosure Statement. THE DEBTOR BELIEVES THAT THE UNSECURED CREDITORS WILL RECEIVE MORE UNDER THIS PLAN THAN IF THIS PLAN IS NOT CONFIRMED.

QUESTIONS CONCERNING THE PLAN SHOULD BE ADDRESSED IN WRITING TO DAVID C. MCLAUGHLIN, 25-2ND ST NW, SUITE 102, ORTONVILLE, MN 56278 AND TO THE DEBTOR AT 11957 MAPLE LAKE DR. SE, MENTOR, MN 56736

B. Voting Instructions

The Bankruptcy Code provides that holders of allowed Claims or Interests (or Claims which are deemed allowed) are entitled to vote on the Plan. The Debtor has the right to object to Claims after confirmation of the Plan, but if a Claim has not been objected to prior to confirmation of the Plan, it will be deemed allowed for voting purposes.

BALLOTS MUST BE FILED BY THE DATE SHOWN ON THE BALLOT. Return ballots to:

Clerk of Bankruptcy Court  
U.S. Bankruptcy Court  
Courthouse Building, Room 200  
209 Courthouse Bldg.  
118 S. Mill St.  
Fergus Falls, MN 56537

C. Representations

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO HIS FUTURE BUSINESS OPERATIONS OR VALUE OF PROPERTY) IS AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS TO SECURE YOUR ACCEPTANCE WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH OTHER REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO AN INDEPENDENT CERTIFIED AUDIT. DUE TO THE ACCOUNTING COMPLEXITIES OF THE CHAPTER 11 PROCEEDINGS AND BECAUSE OF THE COMPLEXITY OF DEBTOR'S FINANCIAL MATTERS, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE.

THE DEBTOR HAS NOT VERIFIED THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT, ALTHOUGH HE IS WITHOUT ACTUAL KNOWLEDGE OF ANY INACCURACIES.

I. DESCRIPTION OF DEBTOR'S BUSINESS

A. Description of Debtor's Existing Business.

The Debtor was involved in the grain trade for many years. He was an employee of a local cooperatives until October of 1997, when he started his own grain buying business known as Danielson Grain. The business started out small, and minimal records were required. The Debtor purchased grain on farm and immediately sold it to a larger grain buyer. The Debtor made a small amount on each transaction and sometimes provided trucking. In August of 2001, the Debtor had the opportunity to purchase the Tilden Bin Site for \$292,556.00. The Debtor utilized his own funds and borrowed \$50,000 from his brother to make this purchase. The remainder of the property was financed by Dan Juneau on a Mortgage in the amount of \$200,000.

After the purchase, the Debtor had the ability to purchase grain for later delivery to grain merchants. The Debtor started to operate on a larger scale. The Debtor hired Rodney and Nancy

Rinderknecht to perform the necessary book work for the business. Rinderknechts were retained to track grain purchases and grain sales, issue checks, and in essence , run the financial end of the business. Rinderknechts were never able to keep up with the volume of transactions. The Debtor never had accurate financial information until January of 2004. No daily position was prepared. As a result, the Debtor never knew if he was making money on a specific transaction or not. Over time, the losses mounted, but were unknown to the Debtor.

Further, the vast majority of the transactions that Debtor had with farmers were price later contracts. Under this sales method, the farmer delivered grain to the Debtor. The farmer had the ability to set the price at some future date based upon the price in the market on the date the farmer selected. The Debtor could not hedge all of these transactions, because he had no knowledge as to when the grain would be priced by the farmer. The price of wheat and soybeans rose greatly in 2003 and this price escalation caused the Debtor to have to pay for crops at almost twice what he sold them for. This aspect of the business, plus the failure to keep a daily position ledger, ultimately caused a failure of the Debtor's business.

On or about January 14, 2004, the Debtor met with representatives of Lansing Grain in order to work out of what he believed to be a temporary cash flow shortage. Based upon the discussions with the Debtor, Lansing exercised setoff on all funds owed to the Debtor against all contracts the Debtor had with Lansing for future delivery. The Debtor's cash flow dried up, and he was unable to make payments to farmers for their grain. The Debtor considered Assigning his grain assets for the Benefit of Creditors. However, he was advised that an Involuntary Chapter 7 would be filed by several creditors. After the Involuntary Bankruptcy Petition was filed, the Debtor converted this case to Chapter 11. The Debtor filed a personal financial statement with the Minnesota Department of Agriculture representing his financial condition as of December 31, 2002. That financial statement indicated that the Debtor had over \$364,000.00 in equity. The Debtor's bankruptcy schedules now show approximately \$3,000,000.00 in debt over and above the value of his assets. The unsecured creditors committee asserts that the Debtor is unable to explain the deficiency of assets. Although the Debtor suspects that some of this loss is attributable to failure to take a hedged position and failure to price both the purchase and sale of grain appropriately, he is unable to say precisely what losses occurred, the amounts, when and their significance. The unsecured creditors committee may request the use of a forensic accountant for purposes of analyzing when losses occurred, the sources of those losses and perhaps the approximate amount of losses. This analysis is made more difficult due to the fact the Debtor has not prepared financial statements since 1999 nor has he filed income tax returns with State and Federal entities since 1999.

#### B. Events During Reorganization.

Shortly after converting this case to Chapter 11, the Debtor retained the services of Gislason & Hunter as Special Counsel to commence litigation to determine the interest of various claimants in the grain; to hold the grain proceeds for the benefit of the estate; to commence preference actions relating to any grain assets and other preference actions that are likely to cause a net recovery of the unsecured creditors; and collect grain assets as a result of executory contracts. Special Counsel has received all of the grain claims and has worked diligently to resolve the amount and type of claim. It

is believed that all of this work will be completed shortly, and all of the grain funds will be available for distribution to the general creditors less the administrative claims for grain sales.

Further, the Debtor has brought a motion to sell the grain site and the vast majority of the Estate's personal property. The net proceeds for this sale will be held in a segregated interest bearing account for distribution pursuant to the terms of the Plan. These sales will take place at or near the time of the Confirmation Hearing. The proceeds will be used to pay unsecured creditors after secured claims are paid.

An Unsecured Creditors Committee was formed. The names and addresses of the Unsecured Creditors Committee are: Brian Erickson, 824 James Ave SE, East Grand Forks, MN 56721; Randy Allen Kroepelin, 3434 Odyssey Circle, Grand Forks, ND 58201; Gary J. Hoper, 43802 340<sup>th</sup> Ave NW, Stephen, MN 56757; McWalter Farms, 506 12<sup>th</sup> St NW, East Grand Forks, MN 56721; Mark McWalter; John Spina, 20318 420<sup>th</sup> Avenue, Roseau, MN 56751. The Committee obtained the services of Kip Kaler of Kaler Doeling Law Office, 111 Roberts St N., Fargo, ND 58102, to represent the Unsecured Creditors.

The Debtor's summary of operations during the case is attached hereto as **Exhibit A**.

Attached as **Exhibit B** is a chart which was prepared by the Debtor's counsel, which sets forth the approximate dollars amount of the Accounts Receivable by individual, the alleged Preference Payments sought to be recovered, and the Grain Claims. The firm of Gislason and Hunter is handling the grain claims and the Preference Payments issues. The Gislason office has \$588,699.64 in grain proceeds. Of this amount, there are outstanding expenses from liquidation of the grain that must be paid. Further, the Debtor has conducted a liquidation of the equipment and motor vehicles with the net proceeds of \$417,737.98. Finally, the Debtor intends to liquidate all of his real estate except his homestead. It is believed that an additional \$200,000.00 will be received from this liquidation after payment of secured debts.

The Debtor estimates that total net recoveries of these assets will be \$4,502,910.00 and the total claims will be \$7,449,227.00 (consisting of \$4,438,629 as listed in the Debtor's Schedules and \$3,010,598 representing the claims increase as a result of Preference actions) or an approximate payout to unsecured creditors of 60%.

## II. DESCRIPTION OF PLAN

DEBTOR HAS DEVELOPED A PLAN ON A BASIS SO AS TO PROVIDE REALISTIC AND ACCEPTABLE RECOVERIES TO EACH CLASS OF CREDITORS. THE DEBTOR BELIEVES THAT CERTAIN SECURED CREDITORS, PRIORITY CREDITORS AND ADMINISTRATIVE CREDITORS WOULD NOT BE PAID IN FULL UPON LIQUIDATION. UNSECURED CREDITORS WOULD RECEIVE LITTLE ON THEIR CLAIMS. THE DEBTOR BELIEVES THAT THE PLAN PERMITS MAXIMUM POSSIBLE RECOVERY FOR ALL CLASSES OF CLAIMS WHILE EXPEDITING THE REORGANIZATION OF THE DEBTOR. THE FOLLOWING DESCRIPTION OF THE PLAN IS QUALIFIED IN ITS ENTIRETY BY THE

TERMS OF THE PLAN ITSELF WHICH WILL BE CIRCULATED HEREWITH. THE DEFINITIONS IN THE PLAN APPLY TO THIS DISCLOSURE STATEMENT.

A. Summary Table of Plan Distributions.

The following quick reference table is provided to summarize, in a very general fashion, the payments offered under the Plan. Claim amounts are estimates only, and you should refer to the Disclosure Statement reference in the Plan for details and clarifications.

Class	Description	Claim Amount	Treatment	Cost	Value of Collateral
2	Community Bank of Red River Valley	\$102,000.00	Impaired	\$102,000.00	\$176,000.00
3	Volvo	\$42,277.00	Unimpaired	\$42,277.00	\$61,750.00
4	Polk County	\$2,802.00	Unimpaired	\$2,802.00	\$286,500.00
5	Joe Juneau	\$150,000.00	Unimpaired	\$150,000.00	\$195,000.00
6	Clayton Drake	\$1,000.00	Impaired	\$1,000.00	\$55,000.00
7	Ron Guttu	\$151,000.00	Impaired	\$151,000.00	\$286,000.00
8	Larson Repair	\$6,000.00	Unimpaired	\$6,000.00	\$22,000.00
9	Highway 2 & 59	\$4,000.00	Unimpaired	\$4,000.00	\$16,750.00
10	Unsecured Creditors	\$7,449,227.00	Impaired	\$4,502,910.00	\$4,502,910.00

B. Unclassified Administrative Expenses, Leases and Executory Contracts.

Unclassified Administrative Expenses generally include: (i) all attorneys', accountants' and consultants' fees allowed by the Bankruptcy Court; (ii) claims allowed by the Bankruptcy Court for expenses incurred by the Debtor during the Chapter 11 proceedings and not paid in the ordinary course of business; and (iii) amounts necessary to cure any defaults on executory contracts and leases assumed by the Debtor.

1. Fees payable by the Debtor under 28 U.S.C. Section 1930 shall be paid in full on the Effective Date and thereafter as and when due until the Chapter 11 case is closed, dismissed or converted. After confirmation, the Debtor shall submit quarterly operating reports to the United States Trustee each quarter (or portion thereof) until the Chapter 11 case is closed, dismissed or converted. Such reports shall be in the format prescribed by the United States Trustee.

2. Professional Fees.

Debtor estimates that the fees payable to attorneys, accountants, consultants and other professionals upon confirmation will be approximately \$70,000.00. In addition to amounts paid

Pre-petition, Debtor estimates fees and expenses to various professionals, payable upon confirmation or upon such other terms as may be agreed to be the parties, will be as follows: (a) \$70,000.00 as approved by Court and agreed between the parties.

3. Post-Petition Administrative Claims.

Debtor will pay all operating expenses in the ordinary course of its operations.

4. Executory Contracts.

The Plan provides that upon confirmation, Debtor shall reject all executory contracts not assumed by the Debtor prior to confirmation. The accepted contracts are Polk County FSA CRP Contract Number 390 and Polk County FSA CRP Contract Number 391.

All other executory contracts are rejected, including but not limited to the following:

NAME	DESCRIPTION
Andy Spaeth 1720 180 <sup>th</sup> Ave. Mahnomon MN 56557-9081	Corn contract – 20,000 bu. - .30 Mar 2004
Charles Bina 5851 115 <sup>th</sup> Ave. NE Lankin ND 58250-9431	Soybean contracts – 900 bu. @ \$6.70 Oral wheat contract 3,000 bu @ 3.50
Curt Amundson RR 3, Box 220 E. Grand Forks MN 56721	Wheat – 5,000 bu. @ \$3.85 5,000 bu. @ \$3.65 5,000 bu. @ \$3.62
Dahl Bros. RR 2, Box 28 Bejou MN 56516	Corn contract – 10,000 bu. @ \$2.20
Dan McNamee 1851 220 <sup>th</sup> Ave. Mahnomon MN 56557	Corn contracts for 2004 delivery 5,000 bu. @ \$2.25
Dan Vasek 12667 415 <sup>th</sup> Ave. NW E. Grand Forks MN 56721	Wheat contract
David Kirsch 1935 300 <sup>th</sup> St. Waubun MN 56589	Soybean contracts – 8,000 bu. @ 35x03 1,200 bu. @ \$6.22
David Kirsch 1935 300 <sup>th</sup> St. Waubun MN 56589	Corn contracts 20,000 bu. .30 H4 Jan-Mar 2004 10,000 bu. .4023 Oct-Dec 2004
Dean Carlson Kennedy MN 56733	Wheat – 30,000 bu. @ \$3.64
Danavon Dyrdal 13142 180 <sup>th</sup> St. NW Thief River Falls MN 56701	Soybean contracts – 3,000 bu. @ \$6.00

Driscoll-O'Leary 40580 170 <sup>th</sup> Street SW East Grand Forks MN 56721	Wheat 5,000 bu. @ \$3.75 10,000 bu. @ \$3.65 10,000 bu. @ \$3.054 10,000 bu. @ \$3.725 10,000 bu. @ \$4.04
John Erickson 11944 Center St. W. St. Hilaire MN 56754	wheat 5,000 bu. @ \$3.70 wheat 4,000 bu. @ \$3.85
Garske Elevator 121 Garske Street Webster ND 58382	Barley contracts 32,000 bu. @ \$2.00 – 9/24/03 1 VOM feet barley oral
KO-R Farms c/o Albert Kovar RR 2 E. Grand Forks MN 56721	Soybean contract – 3,500 bu. @ \$6.40
Marlowe Coulthart 15417 79 <sup>th</sup> Street NE Drayton ND 58225	Barley contracts – 9,500 bu. @ \$2.45 9/11/03 wheat – 10,000 bu. @ \$3.70 Feb. delay
Matt & Dan McCollum 600 First Street Bejou MN 56516	Corn contracts
Peavy 4256 54 <sup>th</sup> Ave. N. Grand Forks ND 58401	15,000 bu. wheat at \$3.70; 2,000 beans at \$6.90 grain to be delivered
Red Lake County FSA Rt 1, Box 34 Red Lake Falls MN 56750	a) 73.3 acres in CRP (approx.) \$44/acre annual payment b) 236.3 in CRP at \$44/acre annual rent
MN State FSA Office 375 Jackson, Suite 400 St. Paul MN 51105	
Roger Hagen 13929 State Hwy 220 SW E. Grand Forks MN 56721	Wheat – 5,000 bu. @ \$3.80
Ron Lanctor RR 3 Crookston MN 56716	Soybean contract – 332 bu. @ \$6.70 Wheat contracts – 2,187 bu. @ \$3.15; 2,500 bu. @ \$3.50; 6,000 bu. @ \$3.50
Ron Salentine 24406 120 <sup>th</sup> St. SW Euclid MN 56722	Wheat contract
Steve Kahlbaugh 2450 160 <sup>th</sup> Ave. Mahnomon MN 56557	Open corn contracts – 10,000 bu. @ \$2.10 Jan-Mar 2004
Steve Kovar 12501 420 <sup>th</sup> Ave. NW E. Grand Forks MN 56721	Soybean contract – 900 bu. @ \$7.00
Thompson Bros. c/o Melvin Thompson 324 Co. Rd. 1 Bejou MN 56516	Wheat contract
Todd Brule 24054 170 <sup>th</sup> Ave. SW Crookston MN 56716	Soybean contracts

Tri-Mack Highway 2 East E. Grand Forks MN 56721	Wheat contract
Wald Bros. c/o Tom Wald 38412 US Hwy 2 E. Grand Forks MN 56721	Wheat contract
Wayne Cummins HC 3, Box 29A Karlstad MN 56732	Barley contracts 12,000 bu @ \$2.45 oral 9/2/03
Alchem Clifford ND 58016	Contract to sell 20,000 bu. corn
Dale Jeffery 43580 150 <sup>th</sup> St. SW E. Grand Forks MN 56721	Lease – 11 bins
Mike Conneran 48 Sloping Hills Cove Grand Forks ND 58201	Lease – 3 bins
Pete Anderson RR Fisher MN 56723	Lease of 4 bins
R. D. Offutt Co. P.O. Box 464 E. Grand Forks MN 56721	Office lease; Lease of real estate bins are located on
RDO Financial P.O. Box 6229 Carol Stream IL 60197	Lease of payloader
Richard Stengel 11172 390 <sup>th</sup> Ave. NW Warren MN 56762	Lease – 4 bins
Walter Johnson RR Crookston MN 56716	Oral lease – 2 bins
c/o Ralph F. Carter Moosbrugger, Carter & McDonagh 311 S. Fourth Street, Suite 101 Grand Forks ND 58201-4782	Oral lease – Red Lake County real estate

The Debtor estimates the cost of assumption of the executory contracts will be minimal because the only contracts which the Debtor will assume are Conservation Reserve Program. The expenses of rejection of crop contracts are believed to be minimal as the contract prices which the Debtor has agreed to are near the current market price. The leases of real estate and bins must be rejected as the Debtor has no use for such facilities and these must be rejected. The claims are believed to be minimal for these facilities as well.

### III.

#### A. Classification of Claims and Distributions to Classes.

The Plan divides Claims against, and Interests in, the Debtor into various classes which Debtor believes is in accordance with the Bankruptcy Code and is consented to by the parties involved. Priority Claims, Secured Claims, and Unsecured Claims are assigned to separate classes. A Claim or Interest will receive a distribution under the Plan only if it is an "Allowed Claim" or "Allowed Interest" as defined by the Bankruptcy Code. The Debtor is responsible to examine claims and object to claims if appropriate. Others may object to claims as provided by the Bankruptcy Rules. All Claims against, and Interests in Property in, the Debtor arising prior to the confirmation date will be discharged by the Plan on the Effective Date except to the extent provided in the Plan.

#### PRIORITY CLAIMS

**Class 1:** Class 1 consists is the allowed priority claim under 11 U.S.C. Section 507(a)(3), (a)(4), (a)(5), (a)(6) and (a)(7) of the Bankruptcy Code in said claims shall be paid as allowed on confirmation or as otherwise agreed between the Claimant and the Debtor.

#### SECURED CLAIMS

**Class 2:** Class 2 is the secured claim of Community Bank of Red River Valley in the amount of \$102,000.00. This claim is secured by the Debtor's farm real estate. The Bank shall retain its real estate mortgage and shall be paid its secured claim amortized over 20 years with a rate of six percent (6%) with annual amortized payments of \$8,892.00 commencing December 1, 2004, and continuing on the 1st day of December thereafter until paid in full. The interest rate shall be adjusted on July 1, 2007 to the Prime Rate as stated in the Minneapolis Star Tribune plus two percent (2%). Payments will commence on the reamortized obligation on December 1, 2007 and the monthly payments shall be adjusted to reflect the interest rate change. The Debtor may convey this land subject to the claims of the Bank to a third party without incurring a default under the terms of this Plan.

**Class 3.** Class 3 is the secured claim of Volvo Commercial. This claim shall be divided into three subclasses, which are as follows:

- a. **Class 3(a).** This is Contract #500-5047335-001 and is secured by the following collateral:

1998 Volvo VNL64T420 Vin #4VG7DDGH4WN739994  
1998 Volvo VNL64T420 Vin #4VG7DDGHXWN73997  
2000 Timpte Hopper Vin #1TDH422261B099950

Volvo's current secured claim is \$33,331.30 as of the date of filing, 2004 and this debt continues to accrue interest at the rate of \$9.10 per day. The Debtor proposes to sell the collateral for more than Volvo's secured debt within 45 days of Confirmation. This claim will then be paid in full within 45 days of Confirmation.

- b. **Class 3(b).** This is Contract #500-5047335-02 and is secured by the following

collateral:

1998 Volvo VNL64T610 Vin #4VG7DBGHXWN751782

Volvo's current secured claim is \$9,546.00 as of the date of filing, 2004 and this debt continues to accrue interest at the rate of \$2.75 per day. The Debtor may convey this security subject to the claims of the Bank to a third party without incurring a default under the terms of this Plan. This claim will then be paid in full within 45 days of Confirmation.

**Class 4.** Class 4 is the secured claim of Red Lake County taxes payable in 2003. Red Lake County shall retain its security interest in the real estate as provided by Statute, and shall be paid its allowed secured claim by amortizing \$2,802 over ten years with interest at the rate of six (6) percent per annum commencing on February 3, 2004, with annual payments of \$380 due December 15, 2004, and the 15<sup>th</sup> day of each December thereafter until paid in full.

**Class 5.** Class 5 is the claim of Dan Juneau. Juneau shall retain his real estate mortgage on the grain site and shall be paid his allowed secured claim of \$150,000.00 from the sale of the Tilden binsite.

**Class 6.** Class 6 is the secured claim of Clayton Drake. Drake has a secured claim in the amount of \$1,000.00. This claim will be paid in full within 45 days of confirmation, from the proceeds of the sale of Drake's collateral.

**Class 7.** Class 7 is the claim of Ron and Jeanne Guttu. Guttu shall retain their Contract for Deed interest in the Debtor's homestead and shall be paid their allowed secured claim of \$158,269.69 amortized over 15 years with interest at the rate of 6.5% per annum from September 1, 2004 with monthly payments of \$1,100.00 due commencing September 1, 2004 and on the 1st day of each month thereafter until July 1, 2006 when the entire balance shall be paid in full.

**Class 8.** Class 8 is the mechanic's lien of Larson Repair in the Debtor's 1974 Wilson flat floor grain trailer, 1973 Timpfe flat floor grain trailer and the 1998 Wilson hopper trailer, in the amount of \$6,000. Said claim shall be paid from the proceeds of the sale of collateral on the Effective Date.

**Class 9.** Class 9 is the mechanic's lien claim of Highway 2 & 59 in the Debtor's 1993 Volvo Truck, 1991 Wilson hopper bottom, in the amount of \$4,000. Said claim shall be paid from the proceeds of the sale of the collateral on the Effective Date.

#### UNSECURED CLAIMS.

**Class 10.** Class 10 shall consist of all allowed unsecured claims against the Debtor. Each holder of an allowed unsecured claim shall receive a pro rata distribution of cash from the Liquidation Proceeds realized from the sale, disposition and liquidation of all of the non-exempt

assets of the Debtor. This includes the non-exempt cash value of the Debtor's life insurance policy. In addition, the unsecured creditors shall receive the net proceeds realized from proceeds from adversary proceedings commenced by the Debtor pursuant to Section 544, 547, 548, 549 or 550 of the Bankruptcy Code.

- 10a. If the Debtor fails to make a payment to unsecured creditors as provided in this section, an interested party may provide written notice of default to the Debtor and his attorney. The notice of default shall identify the default, state the action necessary to cure the default and shall identify the deadline for curing the default. If the Debtor disputes that he is in default, he may seek an Order from the Polk County District Court to determine whether a default exists or whether the default was cured. The Debtor must assert this defense at the time the Court hears the Application for a Receiver.
- 10b. To provide assurance to Unsecured Creditors that payments will be made in a timely fashion, the Debtor agrees that if he does not pay as set forth above, an Independent Receiver shall be appointed by the District Court for Polk County, State of Minnesota pursuant to Minnesota Statutes who shall take possession of the non-exempt assets and dispose of them as provided by law. The Debtor shall execute any and all documents necessary to facilitate said transaction. Any unsecured creditor may make an application for a Receiver as provided herein in the event of a default. The Debtor's sole defense shall be that he is not in default under the terms of this Plan.
- 10c. The Debtor shall make a final calculation of the distribution to the holder of allowed claims in each Class, taking into account the resolution of disputed contested claims.

#### IV. ACCEPTANCE AND CONFIRMATION

In order to confirm the Plan, the Bankruptcy Court requires that the Bankruptcy Court make a series of determinations concerning the Plan, including: (i) that the Plan has classified creditor claims and membership Interests in a permissible manner; (ii) that the contents of the Plan comply with the technical requirements of Chapter 11 of the Bankruptcy Code; (iii) the Debtor has proposed the Plan in good faith; and (iv) that the Debtor's disclosures concerning the Plan have been adequate and have included information concerning all payments made or promised in connection with the Plan and the bankruptcy case, as well as the identity, affiliations and compensations to be paid to all members, and other insiders.

The Debtor intends to seek rulings of the Bankruptcy Court at the hearing on Confirmation of the Plan that all of the above conditions have been met.

The Bankruptcy Code also requires that the Plan be accepted by the requisite votes of creditors, that the Plan be feasible, and that Confirmation of the Plan be in the best interest of all

creditors. To confirm the Plan, the Bankruptcy Court must find that all of these conditions are met. Therefore, even if the creditors of the Debtor accepts the Plan by the requisite votes, the Bankruptcy Court must make independent findings respecting the Plan's feasibility and whether it is in the best interests of Debtor's creditors before it may confirm the Plan. The classification, "best interest" and feasibility requirements of confirmation are discussed below.

A. Best Interest of Creditors

The "best interest" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired class of Claims and Interests a recovery which has a present value at least equal to the present value of the Distribution which each such member would receive from the Debtor if the Debtor was instead liquidated under Chapter 7 of the Bankruptcy Code. The Debtor intends to seek rulings of the Bankruptcy Court at the hearing on Confirmation of the Plan that this condition has been met.

B. Feasibility

As a condition of Confirmation, the Bankruptcy Code requires that Confirmation is not likely to be followed by the liquidation of the reorganized Debtor or the need for further financial reorganization. For purposes of determining whether the Plan meets this feasibility standard, the Debtor has analyzed the ability of the reorganized Debtor to meet his obligations under the Plan. Projections have been prepared by Debtor solely for purposes of evaluating the Plan's feasibility based upon the present assets and business of the Debtor. The projections do not necessarily reflect the actual results of operations of the reorganized Debtor during such period.

C. Acceptance of the Plan.

As a condition to Confirmation, the Bankruptcy Code requires that each impaired class of Claims or Interests accept the Plan with the exceptions described in the following section. The Bankruptcy Code defines acceptance of the Plan by a class of Claims as acceptance by holders of two-thirds in dollar amount and a majority in number of Claims in that class, but for that purpose counts only those who actually vote to accept or reject the Plan. The Bankruptcy Code defines acceptance of the Plan by a class of Interests as acceptance by two-thirds of the class that actually voted. The holders of Claims or Interests who fail to vote are not counted as either accepting or rejecting the Plan.

Classes of Claims and Interests that are not "impaired" under the Plan are deemed to have accepted the Plan. Acceptances of the Plan are being solicited only from those persons or entities who hold Claims or Interest of impaired classes.

D. Confirmation Without Acceptance by All Impaired Classes.

The Bankruptcy Code contains provisions for Confirmation of a Plan even if the Plan is not accepted by all impaired classes, as long as at least one impaired class of Claims has accepted it.

These "cram down" provisions provide for Confirmation of a Plan despite the nonacceptance of one or more impaired classes of Claims or Interest as set forth in Section 1129(b) of the Bankruptcy Code, so long as the Plan provides that: (i) each holder of a Claim or Interest included in the rejected class receives or retains on account of that Claim or Interest property which has a value, as of the Effective Date, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, any fixed redemption price to which such holder is entitled, and the value of such Interest; or (ii) the holder of any Claim or Interest that is junior to the Claim or Interest of such class will not receive or retain under the Plan on account of such junior Claim or Interest any property. The Debtor intends to seek confirmation notwithstanding any rejections of the Plan by any class of Creditor or Interest Holder.

## V. MANAGEMENT

Upon confirmation of the Plan of Reorganization proposed by the Debtor, the Debtor will continue to run his trucking business utilizing leased equipment. All non-exempt assets including preference recovery will be liquidated and the proceeds paid to creditors as provided in the Plan. The Debtor estimates that he will generate \$4,000 a month net from this operation. The Debtor will utilize these funds to make the Guttu payments and to pay other necessary living expenses and taxes.

## VI. ALTERNATIVES TO THE PLAN

Debtor believes that the Plan provides its creditors with the earliest and greatest value that can be realized on their respective Claims and Interests. The alternatives to Confirmation of the Plan are the submission of an alternative Plan or Plans by Debtor or any other party in interest, or the liquidation of the Debtor.

### A. Alternative Plans.

Under Section 1121 of the Bankruptcy Code, Debtor has the exclusive right to file a plan of Reorganization during the first 120 days and to have a Plan accepted during the first 180 days after the commencement of its Chapter 11 case. No other plans have been filed.

### B. Liquidation.

A liquidation of the Debtor could be conducted. In connection with the formulation of the Debtor's Plan of Reorganization, the Debtor has determined the liquidation value of the Debtor's assets if they were liquidated under Chapter 7 of the Bankruptcy Code. See Exhibit B Liquidation Analysis. The payments for the vehicle and trailer liquidation of the Debtor's assets will generate at least as much as would be generated in a Chapter 7, because expenses will not be duplicated. The Debtor also believes that he can obtain more money from liquidating the non-exempt property than a Trustee under Chapter 7. Further, the Debtor will not change the fees that a Trustee would. The Trustee's fees are estimated at in excess of \$69,000.00.

As a result, the Plan offers a greater recovery for the unsecured creditors than would be received in a Chapter 7 liquidation of the Debtor.

VII.  
MEANS FOR EXECUTION OF THE PLAN

The Debtor will utilize all liquidation proceeds less administrative costs and secured claims for pro rata distribution to the allowed unsecured creditors. In addition, the Debtor will also pay the net proceeds from all preference claims to the unsecured creditors. The Debtor will prosecute all Avoidance actions under Section 544, 547, 548, 549 and 550 of the Bankruptcy Code which he deems will have a net economic benefit to the unsecured creditor. The Debtor shall, on the later of (a) the date on which all avoidance actions are resolved; (b) the date on which all claims are resolved; or (c) six months from the effective date of the Plan, distribute to the Unsecured Creditors pro rata based upon the allowed claim, all of the net Liquidation and Net Avoidance Proceeds which he receives. In addition, the Debtor will pay to the unsecured creditors a pro rata share of the net proceeds from the disposition of the non-exempt assets of the estate. In the event the Debtor fails to make this payment, any holder of an unsecured claim may apply to the District Court in Polk County, Minnesota for the appointment of a Receiver to take control of the assets and dispose of them for the benefit of the unsecured creditors. The Debtor will review and object to all claims that are objectionable and cost effective.

VIII.  
TAX CONSEQUENCES

No information is set forth in this Disclosure Statement with respect to the tax impact, if any, of payments or other consideration received by a creditor under this Plan and the possible tax benefits to creditors if the Plan is confirmed. As to any tax implications of accepting or rejecting the Plan, you may want to consult with your own attorney or accountant.

IX.  
UNSECURED CREDITOR'S COMMITTEE

The United States Trustee was able to appoint a Committee of Unsecured Creditors to serve in this case.

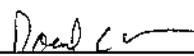
X.  
ADDITIONAL INFORMATION

Additional copies of this Disclosure Statement may be obtained by writing or calling David C. McLaughlin, 25 Second St. NW, Suite 102, Ortonville, MN 56278 (320) 839-2549.

Dated this 9<sup>th</sup> day of August, 2004.

  
\_\_\_\_\_  
Daniel S. Miller\_

FLUEGEL, HELSETH, MCLAUGHLIN,  
ANDERSON & BRUTLAG, CHARTERED

  
\_\_\_\_\_  
Attorney for Debtor  
25-2nd St. NW, Suite 102  
Ortonville, MN 56278  
(320) 839-2549

**EXHIBIT A TO AMENDED DISCLOSURE STATEMENT**

CASE NAME: DANIEL S. MILLER  
 CASE NUMBER: 04-60106

**CASH RECEIPTS AND DISBURSEMENTS (CALENDAR QUARTER)**

	MONTH 1 Of Quarter	MONTH 2 Of Quarter	MONTH 3 Of Quarter	CUMULATIVE TOTAL
1 CASH-BEGINNING OF MONTH	108,928	108,757	87,480	108,928
<b>RECEIPTS FROM OPERATIONS</b>				
2 CASH SALES - FREIGHT		4,577	7,495	12,072
3 LESS: CASH REFUNDS				
4 NET CASH SALES		4,577	7,495	12,072
<b>COLLECTIONS OF ACCTS. REC.</b>				
5 PRE-PETITION		1,745	580	2,325
6 POST-PETITION				
7 OTHER - INTEREST ON TRUST ACCOUNT		51		51
8 TOTAL OPERATING RECEIPTS (LINES 4+5+6+7)	-	6,373	8,075	14,448
<b>NON-OPERATING RECEIPTS</b>				
9 LOANS / ADVANCES				
10 SALE OF ASSETS				
11 OTHER - INSURANCE REFUND (CANCELLATION)			759	759
12 TOTAL NON-OPERATING RECEIPTS (LINES 9+10+11)			759	759
13 TOTAL RECEIPTS (LINES 8 + 12)		6,373	8,834	15,207
14 TOTAL CASH AVAILABLE (LINES 13+1)	108,928	115,130	96,314	124,135
<b>OPERATING DISBURSEMENTS:</b>				
15 NET PAYROLL / CONTRACT LABOR			595	595 (1)
16 PAYROLL TAXES-PAID				
17 SALES, USE & OTHER TAXES PAID		35		35 (2)
18 SECURED / RENTAL / LEASES - OFFICE RENT		2,303		2,303 (3)
19 UTILITIES		972		972 (1)
20 INSURANCE - PICKUPS		464		464 (1)
21 INVENTORY PURCHASES BINSITE REPAIR		130	366	496 (1)
22 VEHICLE EXPENSE - PICKUP GAS / REPAIR		503	529	1,032 (1)
23 TRAVEL - FREIGHT FUEL		528	2,107	2,635 (1)
24 ENTERTAINMENT TRUCK LICENSE / PERMITS		1,579		1,579 (1)
25 REPAIRS & MAINTENANCE - FREIGHT HAULING		1,556	33	1,589 (1)
26 SUPPLIES TRUCK INSURANCE			537	537 (1)
27 ADVERTISING INSURANCE - HEALTH / LIFE		517		517 (2)
28 OTHER: OFFICE AND COMPUTER EXPENSES		11	815	826 (1)
29 OTHER: FINANCE CHARGES		159	63	222 (2)
30 OTHER: HOUSEHOLD EXPENDITURES		6,473	2,890	9,363 (2)
31 TOTAL OPERATING DISBURSEMENTS	-	15,230	7,935	23,165
<b>REORGANIZATION EXPENSES:</b>				
32 PROFESSIONAL FEES PRE-PETITION LIABILITIES		1,574		1,574
33 U.S. TRUSTEE QUARTERLY FEES				
34 OTHER: ADJUSTMENT TO ACTUAL	171			171
35 OTHER: NET WAGES / TAXES TO COMPLETE RECORDS		10,846	1,343	12,189 (3)
36 TOTAL REORGANIZATION EXPENSES	171	12,420	1,343	13,934
37 TOTAL DISBURSEMENTS (LINES 31 + 36)	171	27,650	9,278	31,099
38 CASH-END OF MONTH	108,757	87,480	87,036	87,036

CODING FOR P/L -

(1) OPERATING EXPENSES

(2) NON-OPERATING EXPENSES

(3) REORGANIZATION COST

CASE NAME: DANIEL S. MILLER

CASE NUMBER: 64-60106

## COMPARATIVE BALANCE SHEET (CALENDAR QUARTER)

ASSETS	FILING DATE	MONTH 1 Of Quarter	MONTH 2 Of Quarter	MONTH 3 Of Quarter
1 CASH		87,326		
2 ACCOUNTS RECEIVABLE (SEE MAY ANALYSIS)		222,708.9		
3 INVENTORY		437,451		
4 NOTES RECEIVABLE (SEE APRIL ANALYSIS)		49,582		
5 PRE-PAID EXPENSES		-		
6 OTHER - CONVERSION CLAIM		110,000		
7 TOTAL CURRENT ASSETS		2911,448		
8 PROPERTY, PLANT & EQUIPMENT		847,088		
9 LESS: ACCUMULATED DEPRECIATION				
10 TOTAL PROPERTY, PLANT & EQUIPMENT		847,088		
OTHER ASSETS				
11 HOMESTEAD - 1/2 INTEREST		97,500		
12 BOAT / RECREATIONAL EQUIPMENT		3,000		
13 PERSONAL PROPERTY		5,730		
14 TOTAL OTHER ASSETS		106,230		
15 TOTAL ASSETS		3,864,766		
17 ACCOUNTS PAYABLE		1,873		
18 ACCRUED PROFESSIONAL FEES				
19 NOTES PAYABLE				
20 TAXES PAYABLE		9,368		
21 OTHER (LIST) - NET WAGES		9,711		
22 TOTAL POST-PETITION DEBT		20,952		
PRE-PETITION LIABILITIES				
23 SECURED DEBT (SEE APRIL ANALYSIS)		456,533		
24 PRIORITY DEBT (SEE MAY ANALYSIS)		11,610		
25 UNSECURED DEBT (SEE MAY ANALYSIS)		6,449,747		
26 OTHER DEBT (LIST) (SEE MAY ANALYSIS)		144,510		
27 TOTAL PRE-PETITION DEBT		7,062,400		
28 TOTAL LIABILITIES		7,083,352		
EQUITY				
29 OWNER'S/STOCKHOLDERS EQUITY		(3,177,606)		
30 RETAINED EARNINGS (PRE-PETITION)		5,529		
31 RETAINED EARNINGS (POST-PETITION)		(46,509)		
32 TOTAL EQUITY		(3,218,586)		
33 TOTAL LIABILITIES & EQUITY		3,864,766		





















