

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In Re:

Bankruptcy No. 04-60106

Daniel S. Miller,

Debtor.

**RESPONSE TO OBJECTIONS
OF UNSECURED CREDITOR'S COMMITTEE TO CLAIMED EXEMPTIONS**

1. The Unsecured Creditor's Committee has no standing to raise an objection to the Debtor's claimed exemptions. 11 U.S.C. §348 does not provide for the continuance of a Creditor's Committee post-conversion. The law is that:

"the conversion to Chapter 7 and the ensuing termination of the Chapter 11 Order for Relief results in the dissolution of any committee appointed under 11 U.S.C. §1104 and similarly prevents any award of attorney's fees for post-conversion services."

SEE In re *Kel-Wood Timber Products*, 88 B.R. 93 (Bky.Ed. Virginia, 1988), in according *Great Plains Northern Paper, Inc. vs. Belgrade Paper Company*, 299 B.R. 1 (D.Main, 2003). The Chapter 7 Trustee now has the duties of the Unsecured Creditor's Committee. The Motion by the Unsecured Creditor's Committee must be denied as it no longer exists and it has no standing. Individual Creditors may file objections to exemptions, as they are parties in interest. If an objection is to be made, it must be made by the creditors in their individual capacity.

2. The Debtor withdraws his claim of exemption to farm equipment.

3. The Debtor's claim is exempt on motor vehicles. The Debtor claims his 1998 GMC pickup as exempt in the amount of \$3,500.00. The Debtor clearly qualified for this exemption. Any value over \$3,500.00 is property of the Estate. All other motor vehicles were liquidated in the Chapter 11 proceeding.

4. The Debtor has cash value in insurance in the amount of approximately

\$58,442.00. Minn. Stat. §550.37, Subd. 23 provides:

“Subd. 23. Life insurance aggregate interest. The debtor's aggregate interest not to exceed in value \$4,000 (now \$7,200) in any accrued dividend or interest under or loan value of any unmaturred life insurance contract owned by the debtor under which the insured is the debtor or an individual of whom the debtor is a dependent.”

The Debtor clearly meets the requirements of this section. The Debtor is the insured and the owner of the policy. The amount claimed exempt is accrued dividends, interest or loan value of an unmaturred life insurance policy. Clearly the Debtor's claimed exemption must be allowed.

The Committee's attorney states that he asked the Debtor to liquidate all policies and turn the proceeds over for application to the unsecured debt. The Debtor has not done so. This is not grounds for objection to the exemption, but instead an attempt to show and allege the bad faith of the Debtor. However, the Committee's attorney fails to mention that the U.S. Trustee's office informed the Debtor that he needs to get a Court Order before he could cash in any life insurance policy or borrow the proceeds. *See Transcript of First Meeting of Creditors at page 124-125.* The Trustee's office did say the Debtor could change the beneficiary to name the estate, which the Debtor has done. There is no grounds to deny the Debtor's exemption in the life insurance cash value. Any amounts over the exemption claimed will remain property of the Estate and be liquidated by the Chapter 7 Trustee.

5. The Debtor has claimed the interest in the IRA with Jarvis in the approximate amount of \$2,000.00 as exempt. This IRA was created to receive the proceeds from another qualified retirement plan. The proceeds remain in a qualified plan for tax purposes and are subject to 10% early withdrawal penalty from the IRS.

The Debtor claimed the IRA as exempt under Minn. Stat. §550.37, Subd. 24, which provides a property exemption for:

The Debtor's right to receive present or future payments, or payments received by

the Debtors, under a stock bonus, pension, profit sharing, annuity, **individual retirement account**, Roth IRA, individual retirement annuity, simplified employee pension, or similar plan or contract on account of illness, disability, death, age, or length of service, to the extent of the Debtor's aggregate interest under all plans and contracts up to a present value of \$30,000.00 (**now \$54,000.00**) and additional amounts under all plans and contracts to the extent reasonably necessary for the support of the Debtor and any spouse or dependents of the Debtors. Emphasis added.

The Debtor's interest in the IRA is governed by Clark v. Lindquist, 683 N.W. 2d 784 (Minn. 2004). The Minnesota Supreme Court found that the Legislature intended IRAs to be exempt by naming them in the Statutes, and that the Debtor's access to the funds is irrelevant. This case overrules *In re Jenkins*, 300 B.R. 398 (Bky.Minn. 2003) and *In re Gagne*, 166 B.R. 362 (Bky.D.Minn 1993). There is no basis to deny the Debtor's interest in the IRA as long as he is below the statutory dollar limitation, which he is.

6. The Debtor also exempts the Pension Plan through St. Hilaire Co-op Elevator at Harvest States in the amount of \$38,000.00. This amount clearly meets the requirements of Minn. Stat. §550.37, Subd. 24 as set forth above. Further, the Debtor's interest is an ERISA-qualified employee profit sharing plan, is not subject to involuntary or transfer that is enforceable under applicable non-bankruptcy law and is excluded from the Bankruptcy Estate. SEE *Patterson v. Shumate*, 504 U.S. 753, 112 S.Ct. 2242, 119 L.Ed. 2d 219 (1992).

7. The Debtor may offer oral testimony himself, and the substance of the testimony will be in regard to the Life Insurance cash value, the Jarvis IRA, the St. Hilaire Pension, and the motor vehicle claimed exempt.

8. The Debtor may also utilize as exhibits his schedules as well as his income tax records. The Debtor may utilize exhibits including the Jarvis IRA documentation, the insurance declaration page, and St. Hilaire Pension Plan.

WHEREFORE, Debtor respectfully requests the Court deny the objections of the

Unsecured Creditor's Committee to the Debtor's claimed exemptions.

Dated this 13 day of October, 2004.

FLUEGEL, HELSETH, MCLAUGHLIN,
ANDERSON & BRUTLAG, CHARTERED



25 Northwest 2nd St., Suite 102
Ortonville, MN 56278
(320) 839-2549
Attorney License #127383