

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MINNESOTA (DULUTH)

Gary James Vad and)	
Charity Sue Vad,)	
)	
Debtors,)	
)	
-----)	Chapter 7
Northern State Bank of Gonvick,)	Bankruptcy Case No. 04-50139
)	Adversary Case No. _____
Plaintiff,)	
)	
vs.)	
)	
Gary James Vad,)	
)	
Defendant.)	

COMPLAINT TO DETERMINE EXCEPTION TO DISCHARGE
UNDER BANKRUPTCY CODE SECTION 523(a) (2)

Plaintiff, Northern State Bank of Gonvick, respectfully submits to the Court its Complaint objecting to discharge of the debt owed it by Defendant, Gary Vad.

1.

This action is brought procedurally pursuant to Rule 4004 , Bankruptcy Rules and the Notice of the Court filed February 11, 2004 setting May 17, 2004 as the last day for the filing of a Complaint objecting to discharge and / or to determine dischargeability of debts. This action is brought substantively pursuant to Bankruptcy Code section 523(a) (2).

2.

Defendant owes to Plaintiff the sum of \$51,583.73 pursuant to a written agreement entered into on April 17, 2003 by Plaintiff, Northern State Bank of Gonvick, and Defendant, Gary Vad. A copy of said agreement is attached to this Complaint and is incorporated by reference herein. (Exhibit A.)

3.

The debt of the Defendant, Gary Vad, was secured by a Security Agreement dated December 29, 2000 wherein Defendant pledged as security "all machinery now owned and hereinafter acquired." (Exhibit B)

4.

The Defendant, Gary Vad, presented the Plaintiff, Northern State Bank of Gonvick, a list of machinery and farm equipment dated January 20, 2003 to show currently owned machinery and farm equipment owned. (Exhibit C)

5.

The existence of the whereabouts of much of the secured property is unknown and Defendant, Gary Vad, now acknowledges to Plaintiff, Northern State Bank of Gonvick, that the "shop tools" valued at \$55,000 never existed.

6.

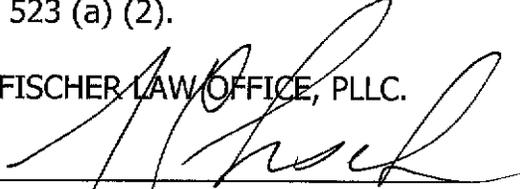
The Defendant, Gary Vad, and co-debtor, Charity Vad, surrendered the secured property listed in the Petition filed in this matter and the Bankruptcy Trustee abandoned the listed property on April 5, 2004. The list of secured property in the Petition and the property abandoned does not include many of the items pledged by Defendant, Gary Vad.

7.

The Plaintiff, Northern State Bank of Gonvick, relied on the equipment listed on Exhibit C, including the shop tools valued at \$55,000.00, in making the loan to the Defendant, Gary Vad. This reliance falls squarely within the exception described in Bankruptcy Code section 523 (a) (2).

Dated: 5-14-04

FISCHER LAW OFFICE, PLLC.


James C. Fischer
Attorney for Plaintiff
PO Box 644
Crookston MN 56716
(218) 281-1200
Attorney ID No. 219344

02/18/04 14:02 (01) DAVE GEDDE
Note: 170812 PAST-DUE
Line: 104484
Product: 20401

DAVE GEDDE

Exhibit A

Name: S02 GARY J. VAD Rel Home Phone Business Phone
Name: P 218-759-4725
Name:
Addr: P. O. BOX 1913
City: BEMIDJI MN 56619-1913 Tax Id: S 502-76-2334

Principal Bal	Interest Bal	Net Payoff	Total Amt Due	Total Amt P/D
48,713.23	2,970.50	51,683.73	51,683.73	51,683.73

Current Payment Due Date: 01/15/04 Class: (01) BUSINESS LOAN
Current Days Past Due: 34 Title:
Reg Payment Amount: 51,354.75 Responsibility Code: 040
Current Rate Over: 7.2500 Note Date: 04/17/03
One Day's Interest: 9.6759 Maturity Date: 01/15/04
Current Late Chrg/Fee Bal: .00 Date Principal Paid to: 04/17/03
Maximum Credit: Date Interest Paid to: 04/17/03
Available Credit: Last Payment:
Collateral:

040 Gary Vad **410** **104484** **GONVICK, MINNESOTA**, April 17, 2003
January 15, 2004
After date, the undersigned Borrower(s) (if more than one, jointly and severally, and hereinafter, whether one or more, called Borrower) promises to pay to the order of **THE NORTHERN STATE BANK OF GONVICK**
AT ITS BANKING HOUSE IN GONVICK, MINNESOTA
the sum of **Forty Eight Thousand Seven Hundred Thirteen and 23/100** Dollars,
plus interest from **date** until maturity at the annual rate of **7.25** percent, interest payable **at maturity**
LOAN AMOUNT \$ **48,713.23**
DUE DATE **1-15-04**
NOTE NO. **170812**
PAYMENT EXTENDED
TO 19
TO 19
NO. **169811**

Other charges: All payments shall apply first toward accrued interest, the remainder of any payment applying toward principal. If checked, any accrued interest not paid when due (whether by a schedule of payments or because of Lender's demand) shall become part of the principal hereafter, and shall itself bear interest at the applicable rate. The unpaid principal of this Note after final maturity shall bear interest at the annual rate of _____ %

SECURITY: Without notice, Lender may (when and where legally permissible) charge this Note against Borrower's deposits and personal property maintained with Lender. When applicable, this Note is also secured by the unearned premiums and proceeds of any insurance policy required or purchased hereunder. This Note may be secured by prior or subsequent security instruments notwithstanding that such security is not indicated hereon.

This Note is not further secured.
 This Note is secured by a Security Agreement dated **12-29-00** 19. This Note is secured by a _____ dated _____ 19.

Address: **28382 White Cedar Road**
Bemidji, MN 56602

Interest and charges authorized by _____
PURPOSE OF CREDIT: **renew operating with \$6,221.42 paid**

I AGREE TO THE TERMS SET OUT ON THE FRONT AND BACK OF THIS AGREEMENT. I have received a copy of this document of today's date.

Signature

RPC: 46077 PROMISSORY NOTE CUSTOMIZED

MACHINERY & EQUIPMENT

DESCRIPTION	ARTICLE	COST	VALUE	VALUE	VALUE	VALUE	VALUE
MOTOR VEHICLES							
97 Chev Suburban		35,500					
97 Chev Camaro		21,500					
82 Chev PK		5,500					
95 Dodge 6x4 Cab PK		14,000					
81 Ford Tractor Truck 11 Box		14,000					
79 Ford Tractor Truck 10' box		10,000					
84 Ford single w/10' box		8,000					
69 Ford Landis w/10' box		6,000					
total		\$104,500					
TRACTORS							
81 Allis 8x4 7580		11,000					
80 Allis 8x4 7480		15,000					
190 Allis w/10' box		6,000					
190 Allis 11-11		5,000					
198 Allis 11-11		6,000					
total		\$39,000					
SWATHERS-COMBINES							
1-74 John Deere 700 combine		19,000					
1-810 John Deere 2000		5,000					
1-810 John Deere 2000		3,500					
total		\$27,500					
DISCS-CULTIVATORS-DRAGS							
1-810 John Deere 2000		9,000					
1-810 John Deere 2000		9,500					
1-810 John Deere 2000		2,000					
total		\$20,500					
DRILLS-PLANTERS							
3-10 John Deere 2000		6,500					
3-10 John Deere 2000		8,000					
1-10 John Deere 2000		2,800					
total		\$17,300					
HAY EQUIPMENT-baler, rakes, mowers							
1-810 John Deere 2000		5,000					
total		\$5,000					
TRAILERS-ELEVATORS-AUGERS							
FORAGE BOXES							
1-810 John Deere 2000		1,200					
1-810 John Deere 2000		1,000					
1-810 John Deere 2000		2,500					
3-10 John Deere 2000		5,300					
total		\$10,000					

SECURITY AGREEMENT

(FARM EQUIPMENT, PRODUCTS, LIVESTOCK AND CROPS)

December 29, 2000

Gary Vad (Date)
 Name 28302 White Cedar Rd Benidji Beltrami Minnesota
 Route City County State
 (hereinafter called "Debtor"), hereby grants to the Northern State Bank of Conywick
 Name
 2nd and Main Gonwick Clearwater Minnesota
 Street City County State (hereinafter called "Secured Party")

a security interest pursuant to the Uniform Commercial Code in the Debtor's
 Farm equipment including parts, accessories, repairs, improvements and replacements.
 Farm products including feed, seed, fertilizer, tools and supplies.
 Livestock including all farm animals and poultry together with the young and produce thereof.
 Crops, growing or to be grown upon the premises hereinafter described.
 And such other property used or owned by Debtor in connection with farming operations.
 Together with all similar property now owned or hereafter acquired by Debtor, the products thereof proceeds therefrom (all hereinafter called "Collateral")
 Contract Rights and Accounts
 (Parties hereto may attach hereto a schedule containing a more detailed description or listing of said collateral, but the security interest granted herein shall not be limited strictly thereto unless expressly so provided in said schedule).

All Machinery now owned and hereafter acquired.

Said security interest shall secure the payment of Thirty Five Thousand and no/100#
 Dollars (\$ 35,000.00) as provided in debtor's note or notes,
 dated 12/29/00 and also payment and performance of any other liabilities and indebtedness of Debtor to Secured Party,
 direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising (all hereinafter called "Obligations.")
 Debtor hereby warrants, covenants and agrees that:

1. The collateral will be kept at Rt. 1 Box 175 Perognon Wakarusa Pennington Minnesota
 Route Township County State

Debtor will notify Secured Party of any change in location of the Collateral and will not remove the Collateral from said location without the written consent of Secured Party. The Secured Party may examine and inspect the property at any time, wherever located.

2. Debtor is an individual
 (an individual, partnership, corporation, or other organization)

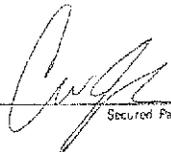
3. The security interest herein is given to secure a loan
 (the purchase price of collateral) (to loan)
 If the collateral is being acquired with the proceeds of the note or notes, Secured Party may disburse directly to the seller of collateral, or Debtor agrees to remit said proceeds to the seller of said collateral.

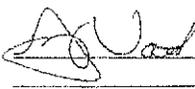
4. If above address is not Debtor's residence, show residence address here:
 Street or Route City or Township County State

5. If the collateral has been or is to be attached to real estate, or is growing or is to be grown thereon, extracted or severed therefrom, the name of the record owner of such real estate is _____
 and said real estate is located in the County of _____ and state of _____
 and described as follows:

and if the Collateral is attached to real estate prior to the perfection of the security interest hereby granted, Debtor will upon demand furnish Secured Party with a disclaimer, signed by all persons having an interest in the real estate, of any interest in the Collateral which is prior to Secured Party's interest.

THIS AGREEMENT IS SUBJECT TO THE ADDITIONAL PROVISIONS SET FORTH ON THE REVERSE SIDE HEREOF, THE SAME BEING INCORPORATED HEREIN BY REFERENCE.

 Secured Party

 Signature (Do not print)
 Debtor
