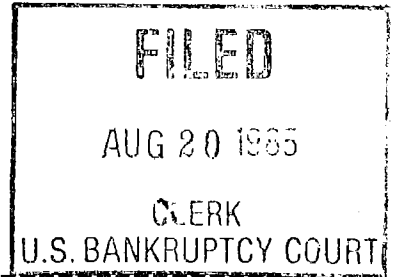


UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WISCONSIN



In re:

Case Number:

JAMES E. GURTNER
LINDA L. GURTNER

EF7-84-01636

Debtors.

PRODUCTION CREDIT ASSOCIATION
OF LUCK,

Plaintiff,

Adversary Number:

v.

84-0299-7

JAMES E. GURTNER and
LINDA L. GURTNER,

Defendants.

OPINION AND ORDER DENYING OBJECTION TO DISCHARGE

Plaintiff Production Credit Association of Luck (PCA) has objected to debtors James and Linda Gurtner's discharge in this proceeding. Debtors and PCA entered into an August, 1981 loan transaction and subsequent supplementary loan agreements. PCA argues that debtors diverted funds which should have been paid to PCA and failed to satisfactorily explain the loss of assets.

The court must initially determine what collateral was provided by the security agreement between the parties. By terms of the security agreement all livestock and other items were to be collateral. PCA maintains that the term "livestock" in the

security agreement entails both various types of cattle and horses owned by debtors. Debtors' contrary position is that the security agreement does not include the horses they owned.

Plaintiff cites several cases in support of its proposition that horses are livestock. In order to determine the coverage of the security agreement it is necessary to consider the specific facts of this case. In many instances horses are viewed as livestock. Horses are often part of a farming or ranching operation. However, in this case the horses involved are show horses maintained for personal pleasure. In August, 1981, debtors listed seven arabian horses and one quarter horse as assets on its loan application. These horses were listed separately from debtors' cattle which were listed under "Breeding Livestock". Additionally, the horses were not listed on Supporting Schedule G as the cattle were.

Under the facts of this case the court concludes that the parties did not agree that debtors' arabian and quarter horses would be collateral for the loan. The term "livestock" in the parties' agreement does not include horses.

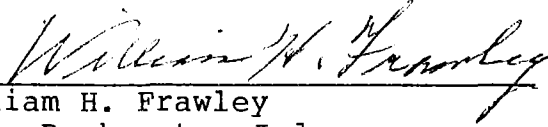
The plaintiff has the burden of proving his objection to a discharge. Bankruptcy Rule 4005. PCA has not met the burden in this case. It has failed to show that debtors submitted false financial statements or that they failed to keep business records. Debtors have satisfactorily explained any loss of assets. Based on these facts PCA's objection to discharge must be denied.

ORDER

IT IS ORDERED THAT Plaintiff PCA's objection to discharge be denied.

Dated: August 20, 1985.

BY THE COURT:



William H. Frawley
U. S. Bankruptcy Judge

cc: Attorney Owen R. Williams
Attorney Terry C. Hallenbeck