

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MINNESOTA  
Civil No. 08-5348 ADM/JSM

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UNITED STATES OF AMERICA )

Plaintiff, )

v. )

1. THOMAS JOSEPH PETTERS; )

PETTERS COMPANY INC., )

PCI; PETTERS GROUP WORLWIDE, LLC; )

2. DEANNA COLEMAN aka DEANNA MUNSON; )

3. ROBERT WHITE; )

4. JAMES WEHMHOFF; )

5. LARRY REYNOLDS dba )

NATIONWIDE INTERNATIONAL RESOURCES) )

aka NIR; )

6. MICHAEL CATAIN dba )

ENCHANTED FAMILY BUYING COMPANY; )

7. FRANK E. VENNES JR. dba )

METRO GEM FINANCE )

METRO GEM INC., )

GRACE OFFERINGS OF FLORIDA LLC, )

METRO PROPERTY FINANCING, LLC, )

38 E. ROBINSON, LLC, )

55 E. PINE, LLC, )

ORLANDO RENTAL POOL, LLC, )

100 PINE STREET PROPERTY, LLC, )

ORANGE STREET TOWER, LLC, )

CORNERSTONE RENTAL POOL, LLC, )

2 SOUTH ORANGE AVENUE, LLC, )

HOPE COMMONS, LLC, )

METRO GOLD, INC., )

Defendants. )

ORDER  
AUTHORIZING  
VOLUNTARY  
FORECLOSURE OF  
REAL PROPERTY IN  
RICE COUNTY AND  
WINONA COUNTY,  
MINNESOTA.

**ORDER AUTHORIZING**  
**VOLUNTARY FORECLOSURE AGREEMENT**  
**CONCERNING REAL PROPERTY LOCATED IN RICE COUNTY,**  
**MINNESOTA AND WINONA COUNTY, MINNESOTA**

Upon consideration of the motion and supporting affidavit of Douglas A. Kelley, in his capacity as the Court-appointed receiver (the “Receiver”), moving this Court to authorize an agreement concerning the voluntary foreclosure of certain real property, the Court finds:

1. Village on the Cannon, LLC and University Village of Winona, LLC, each wholly owned by subsidiaries of Defendant Petters Group Worldwide, LLC, own certain real property identified hereinafter as the Northfield Property and the Winona Property.

The “Northfield Property”, owned by Village on the Cannon, LLC (“Cannon”), is legally described as:

Lot One (1), Lot (2), Outlot A and Outlot B, Block One (1),  
Collegetown Addition, according to the plat and survey thereof now on file and of  
record in the office of the County Recorder, Rice County, Minnesota.

The Northfield Property consists of unsold condominium units and adjacent land.

The “Winona Property”, owned by University Village of Winona, LLC (“University Village”), is legally described as:

Lot One (1), Lot Two (2), Lot Three (3), Lot Five (5), Lot Six (6), Lot  
Eight (8), Lot Nine (9) and Lot Eleven (11), Block One (1); Lot One (1), Lot Two  
(2), Lot Three (3), Lot Four (4), Lot Five (5), Lot Six (6), Lot Seven (7), Block  
Two (2); Lot One (1), Lot Two (2), Lot Three (3), Lot Four (4), Block Three (3),  
Lot One (1), Lot Two (2), Lot Three (3), Block Four (4); Lot One (1), Lot Two  
(2), Lot Three (3), Lot Four (4), Lot Five (5), Block Five (5), Common Interest  
Community No. 5, University Village of Winona, according to the plat and survey  
thereof on file and of record in the office of the County Recorder in and for  
Winona County, Minnesota.

The Winona Property consists of unsold unimproved lots.

2. Both the Northfield Property and the Winona Property are encumbered by a mortgage dated March 29, 2004, filed for record with the Office of the County Recorder of Rice County, Minnesota on March 30, 2004 as Document No. 536084, and filed for record in the Office of the County Recorder of Winona County, Minnesota on April 5, 2004 as Document No. 484993, all as thereafter amended on September 8, 2004 by an amendment filed for record with the Office of the County Recorder of Rice County, Minnesota on September 22, 2004 as Document No. 545369 and filed for record in the Office of the County Recorder of Winona County, Minnesota on December 17, 2004 as Document No. 494432 (the "Mortgage"), which Mortgage is in favor of Home Federal Savings Bank ("Lender").

3. The outstanding indebtedness that is secured by the Mortgage is evidenced by a certain Promissory Note made by Cannon in favor of Lender in the original principal amount of \$2,250,000.00, dated March 29, 2004, as amended on September 8, 2004 to provide for an additional indebtedness of \$6,942,000.00 (the "Note"). Cannon has defaulted on the terms of the Mortgage and on its repayment obligations under the Note. The entire unpaid principal balance and accrued interest of the Note came due in its entirety on March 1, 2008. The outstanding principal and interest balance of the Note on October 20, 2008 was \$5,498,755.38, and interest in the amount of \$1,382.76 accrues each day thereafter. Certain costs and expenses incurred by Lender in connection with Cannon's default are also owed by Cannon pursuant to the Note and the Mortgage. In addition, Cannon is responsible for paying insurance, condominium fees, utility charges and real estate taxes for the Northfield Property and University Village is responsible for paying real estate taxes for the Winona Property.

4. There is no owner's equity in the real property. The combined market valuation of the Winona Property and the Northfield Property is substantially less than the indebtedness owing under the Mortgage Note. Cannon and University Village estimate that the combined market value of the Northfield Property and the Winona Property is currently \$3.5 million. The Receiver has determined that it is in the best interests of all parties involved that Cannon and University Village enter into a Voluntary Foreclosure Agreement with Lender whereby Lender may foreclose on said properties on an expedited process governed by Minnesota Statutes Section 582.32, and whereby Lender will release all claims, demands, actions and debts against Cannon and University Village that arise out of the Mortgage and/or the Note.

THEREFORE, IT IS ORDERED that Village on the Cannon, LLC and University Village of Winona, LLC, by Thomas K. Klassen or such other company officer, is authorized to execute and deliver a Voluntary Foreclosure Agreement and/or such other documents as are necessary for such companies to enter into and perform that certain Voluntary Foreclosure Agreement with Home Federal Savings Bank, by which the above-described real properties and related improvements may be foreclosed by Home

Federal Savings Bank in accordance with the provisions of Minnesota Statutes Section 582.32.

IT IS SO ORDERED, this 19th day of December, 2008.

BY THE COURT:

s/Ann D. Montgomery  
ANN D. MONTGOMERY  
UNITED STATES DISTRICT JUDGE