

**UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA**

UNITED STATES OF AMERICA,

Case No. 08-cv-5348 ADM/JSM

Plaintiff,

v.

THOMAS J. PETTERS, et al.,

**FIRST STATUS REPORT OF
RECEIVER GARY HANSEN**

Defendants.

Gary Hansen submits this Status Report as required by Section IV.B.9 of the October 16, 2008 Order for Entry of Preliminary Injunction, Appointment of Receiver, and Other Equitable Relief.

My initial activity has been to identify and secure assets of Frank Vennes and entities in which he has a controlling interest. A partial list of those assets includes:

1. A residence in Shorewood, Minnesota
2. A residence in Jupiter, Florida
3. An eight building apartment complex and two additional apartment buildings in Williston, North Dakota
4. Two apartment buildings in Mandan, North Dakota
5. A house in Mandan, North Dakota
6. A rental house in Minneapolis, Minnesota
7. Property in Nopeming, Minnesota
8. A commercial building in Youngstown, Ohio
9. Two office buildings in Orlando, Florida

10. A surface parking lot in Jacksonville, Florida
11. Eight rental houses in Melbourne, Merritt Island, and Palm Bay, Florida
12. Four vacant residential lots in Palm Bay, Florida
13. A “tear down” house in Merritt Island, Florida
14. Automobiles, motorcycles, and watercraft
15. Coins and collectibles
16. Accounts at eight to ten financial institutions, with balances ranging up to several hundred thousand dollars
17. Stock in Ionic Fusion, Red Tag, and GeoMask
18. An investment interest in BTA Oil Producers
19. An ownership interest in a bank

With respect to liquid assets, I have taken steps to transfer account balances to a receivership account. To date, those transfers total approximately \$650,000. There are other accounts, such as investment and retirement accounts, that are less liquid. I have not transferred funds from those accounts, but have advised the financial institutions of the receivership and of their obligation to hold the account assets pending my further direction. Those account balances total approximately \$980,000.

I have investigated the condition of the assets under my control, the existence of mortgages or other encumbrances, and likely market value. For rental properties, I have investigated whether there is a positive cash flow and whether substantial improvements or repairs may be required in the near term. These steps were taken to determine whether it made more sense to hold the asset, market the asset, or abandon the asset. Unlike the other defendants in this action, Frank Vennes has not at this time been charged with a

crime. Mindful of that distinction, I have discussed aspects of my investigation and conclusions with Mr. Vennes and his counsel and have solicited their input as part of my decision making process. I have consulted with the government in a similar manner.

The actions I have taken include the following:

1. I sold the Jupiter, Florida residence (Item 2, above) and recognized net proceeds of approximately \$1,380,000.
2. I sold a house in Mandan, North Dakota (Item 5, above) and recognized net proceeds of approximately \$140,000.
3. I have been marketing the Williston apartment buildings (Item 3, above). We are currently evaluating an offer to purchase all of the buildings. The proposed purchase price is significantly in excess of the mortgages.
4. I reached an agreement to sell a Bentley automobile and expect proceeds of approximately \$138,000.
5. I redeemed the BTA Oil Producers investment interest (Item 18, above) and received net proceeds of \$300,000.
6. I obtained return of attorneys' fees retainers in the approximate amount of \$135,000.
7. I reached an understanding with Mr. Vennes' current counsel that funds and other assets deposited with him for payment of fees would be segregated from firm funds, would not be applied to attorneys' fees obligations without my approval or the approval of the Court, and would be subject to a possible future determination as to whether they would remain available to apply against attorneys' fees.
8. I took custody of jewelry, coins and other collectibles with a value yet to be determined, but estimated at \$600,000.
9. I conducted negotiations with multiple lessees of the Orlando office buildings (Item 9, above), dealt with significant maintenance and repair issues, dealt with issues related to the mortgages on one of the buildings, and am offering both buildings for sale. One of the buildings appears to have substantial equity and one has significantly less equity. It may or may not ultimately make financial sense to sell one or both of the buildings at

this time. That decision can be made when we determine interest among potential purchasers.

10. I spent considerable time dealing with issues related to the Jacksonville surface parking lot (Item 10, above). That lot is subject to a development agreement with the City of Jacksonville. The fact of this receivership has impacted compliance with that agreement, requiring negotiation with the City. It currently appears that the property has significant equity. I am marketing it to determine the current interest among prospective purchasers. As with the Orlando office buildings, the question of whether it is better to sell or hold this asset can be more accurately assessed once we determine market interest.
11. I reached accommodations with most pre-receivership creditors with small claims unrelated to preserving the assets under my control. The total of those expenditures was approximately \$12,000.
12. I assessed ongoing expenses to determine which relate to the preservation of assets and which are personal in nature. I am paying expenses that are necessary to preserve assets. I have limited payment of Mr. Vennes' personal expenses in a manner similar to the expense payments recently approved by the Court for the other defendants in this action, having in mind that Mr. Vennes has not at this time been charged with a crime.
13. I had numerous communications with secured creditors and with individuals and entities who placed funds with the Petters entities through Mr. Vennes. To date, none of those creditors, individuals, or entities has initiated legal action.
14. I am assessing whether claims should be asserted on behalf of Mr. Vennes or entities controlled by him in bankruptcy actions related to other defendants to this action.

The receivership accounts I have established have a current balance of approximately \$3,930,000. This is in addition to balances in accounts I have not closed or transferred, to the assets deposited by Mr. Vennes with his current counsel, to the value of jewelry, coins and collectibles in my possession, and to equity in the real estate holdings.

December 22, 2008

Respectfully submitted,

s/ Gary Hansen
Gary Hansen, Receiver