

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

UNITED STATES OF AMERICA)	
)	
Plaintiff,)	
)	
v.)	
)	
1. THOMAS JOSEPH PETTERS;)	
PETTERS COMPANY INC.,)	AFFIDAVIT OF
PCI; PETTERS GROUP WORLWIDE, LLC;)	RECEIVER
2. DEANNA COLEMAN aka DEANNA MUNSON;)	CONCERNING
3. ROBERT WHITE;)	VOLUNTARY
4. JAMES WEHMHOFF;)	FORECLOSURE
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.)	

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.

3. 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").

4. 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.

5. Given the collapse of the residential real estate market and for other reasons, the combined market value of the Winona Property and the Northfield Property is substantially less than the indebtedness owing under the Note. Attached hereto as Exhibit A is an analysis prepared by University Village and Cannon showing a combined market value for the Winona Property and the Northfield Property of approximately \$3.5 Million. 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.

6. Plaintiff and Defendant Thomas J. Petters have stipulated below as to the matters set forth in this Affidavit and agree that it is in the best interests of the parties

that Cannon and University Village enter into the above-described Voluntary Foreclosure Agreement with Lender.

7. Affiant submits this Affidavit in connection with his motion to this Court requesting the Court to issue an order authorizing Village on the Cannon, LLC and University Village of Winona, LLC to do such things, including executing and delivering such documents, as are necessary so that Village on the Cannon, LLC and University Village of Winona, LLC may enter into and perform a 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.

s/ Douglas M. Kelley

Douglas M. Kelly

Subscribed and sworn to before me
This 15th day of December, 2008.

s/ [_____]
Notary Public, State of Minnesota,
County of Hennepin
My commission expires 1/31/2010

Plaintiff and Defendant Thomas J. Petters hereby stipulate to the matters set forth in the foregoing Affidavit and agree that it is in the best interests of the parties that Village on the Cannon, LLC and University Village of Winona, LLC enter into the above-described Voluntary Foreclosure Agreement with Lender.

FRANK J. MAGILL, JR.
United States Attorney

By: /s/ Robyn A. Millenacker
Robyn A. Millenacker (#214735)
Assistant U.S. Attorney
600 United States Courthouse
300 South Fourth Street
Minneapolis, MN 55415
Tel: (612) 664-5600
Email:
 robyn.millenacker@usdoj.gov
ATTORNEYS FOR THE
UNITED STATES OF
AMERICA

FELHABER LARSON FENLON
& VOGT, P.A.

By: /s/ Jon M. Hopeman
Jon M. Hopeman (#47065)
Richard C. Salmen (#95308)
220 South 6th Street
Suite 2200
Minneapolis, MN 55402
Telephone: 612-339-6321
Email: jhopeman@felhaber.com
Email: 'rsalmen@felhaber.com'
ATTORNEY FOR
DEFENDANTS