

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

<p><b>In Re:</b></p> <p><b>Petters Company, Inc., et. al.,</b></p> <p style="text-align: right;"><b>Debtor(s).</b></p> <p><b>(includes:</b> <b>Petters Group Worldwide, LLC;</b> <b>PC Funding, LLC;</b> <b>Thousand Lakes, LLC;</b> <b>SPF Funding, LLC;</b> <b>PL Ltd., Inc.;</b> <b>Edge One LLC;</b> <b>MGC Finance, Inc.;</b> <b>PAC Funding, LLC;</b> <b>Palm Beach Finance Holdings, Inc.)</b></p>	<p><b>Jointly Administered under Case No. 08-45257</b></p> <p><b>Court Files No.'s:</b> <b>08-45258 (GFK)</b> <b>08-45326 (GFK)</b> <b>08-45327 (GFK)</b> <b>08-45328 (GFK)</b> <b>08-45329 (GFK)</b> <b>08-45330 (GFK)</b> <b>08-45331 (GFK)</b> <b>08-45371 (GFK)</b> <b>08-45392 (GFK)</b></p> <p><b>Chapter 11 Cases Judge Gregory F. Kishel</b></p> <p><b>Application for Order Approving the Appointment of Trustee</b></p>
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The United States Trustee applies to the United States Bankruptcy Court for an Order approving the appointment of Douglas A. Kelley as chapter 11 trustee in the above cases.

The United States Trustee consulted with the following parties in interest regarding the appointment:

- A. David Runck, counsel for the Unsecured Creditors' Committee;
- B. Thomas Lallier, counsel for Opportunity Finance, LLC;
- C. Wesley Graham, counsel for CONSOR Domain Assets, LLC;
- D. Barbara D'Aquila, counsel for Palm Beach Finance Partners, LP and Palm Beach Partners II, LP;
- E. Mark Kalla, counsel for Interlachen Hariett Investment Unlimited;

- F. John Stoebner, counsel for IOC Distribution, Inc. and A1 Plus, Inc.;
- G. Lorie Klein, counsel for Petters Aviation, LLC and Elite Landings, LLC;
- H. James Jorrison, counsel for the "Ritchie entities;" and
- I. Richard Anderson, counsel for Petra Fixed Income Fund, LLC.

To the best of the Applicant's knowledge, all of Douglas A. Kelley's connections with the Debtors, creditors, other parties in interest, their respective attorneys and accountants, the United States Trustee, and persons employed in the office of the United States Trustee are set forth in the attached Verified Statement which is attached hereto and incorporated herein by reference as Exhibit A.

Dated: December 24, 2008

Respectfully submitted,

HABBO G. FOKKENA  
United States Trustee  
Region 12

/e/ Robert B. Raschke  
Robert B. Raschke, 161081  
Assistant U.S. Trustee  
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Minneapolis, MN 55415  
TELE: (612) 664-5500

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

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In re:

Jointly Administered under  
Case No. 08-45257

Petters Company, Inc., et al.,

Court File No. 08-45257

Debtors.

Court Files No.'s:

(includes:

Petters Group Worldwide, LLC;

08-45258 (GFK)

PC Funding, LLC;

08-45326 (GFK)

Thousand Lakes, LLC;

08-45327 (GFK)

SPF Funding, LLC;

08-45328 (GFK)

PL Ltd., Inc.;

08-45329 (GFK)

Edge One LLC;

08-45330 (GFK)

MGC Finance, Inc.;

08-45331 (GFK)

PAC Funding, LLC;

08-45371 (GFK)

Palm Beach Finance Holdings, Inc.)

08-45392 (GFK)

Chapter 11 Cases  
Judge Gregory F. Kishel

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**VERIFIED STATEMENT OF DOUGLAS A. KELLEY**

I, Douglas A. Kelley, hereby state the following under penalty of perjury under 18 U.S.C.

§ 101:

1. I am an attorney at law duly licensed to practice before the courts of the State of Minnesota and before this court. I am a shareholder of the law firm of Kelley & Wolter, P.A.
2. I am a person eligible and competent to perform the duties of trustee herein.
3. I have not served as an examiner in this case.
4. I am not a creditor, equity security holder, or insider of the Debtors, although I and my law firm accrued some fees and costs during the 10 day period prior to my appointment as the receiver for the Petters Entities as hereafter defined, which are being submitted to the

receiverships for reimbursement as necessary and beneficial pre-receiver expenses.

5. I am not, and within 2 years before the date of the filing of the petitions, I have not been, a director, officer or employee of the Debtors.

6. To the best of my knowledge, I do not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtors, or for any other reason. A shareholder in my law firm, Steven E. Wolter, holds an Irrevocable Proxy from Thomas J. Petters dated October 5, 2008, with respect to stock and membership interests owned directly or indirectly by Mr. Petters. This was obtained in order to effectively remove Mr. Petters from governance matters, and to provide an alternative means to make governance decisions, if necessary. The dozens of Petters Entities over whom I am the receiver, and the Petters Entities captioned on this statement presently in Chapter 11 proceedings, have numerous and substantial claims of record reflected as owing to and from and among each other. In addition, there are likely various claims yet to be determined between and among the various Petters Entities, as funds flowed freely between and among virtually all of the several dozen Petters Entities as financial needs arose. I do not believe that these relationships create in me an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders.

7. To the best of my knowledge, I have no connection with the Debtor, creditors, or any other party in interest, their respective attorneys and accountants, the United States trustee, or any person employed in the office of the United States trustee, except as follows:

a. I first met Tom Petters on Friday, September 26, 2008. The FBI and other federal agencies executed a search warrant on the Petters Headquarters on Wednesday, September 24, 2008. The Fredrickson law firm resigned as corporate counsel on

Thursday, September 25, 2008 because of a latent conflict. At approximately the same time, the general counsel and his assistant resigned from Petters Group Worldwide (“PGW”). Jon Hopeman represented Mr. Petters individually and was looking for a lawyer to represent Mr. Petters’ companies (“Petters Entities”). I met with Mr. Petters and Mr. Hopeman for approximately an hour and a half on Friday over the lunch hour.

b. On Saturday morning, September 27, 2008, I received a telephone call from Assistant United States Attorney Joe Dixon. AUSA Dixon said he had heard I was going to represent the Petters Entities. He asked whether the Petters Entities were merely an alter ego of Mr. Petters. He stated that the federal government was prepared to exercise all of its powers, but would consider holding off if I could assure them that I would have substantial control over the companies and assets. Essentially, without saying so, Mr. Dixon was implying that they would forfeit even the ongoing Petters Entities if they thought assets were going to be dissipated. AUSA Dixon said he needed a report from me that same day.

c. I met with Mr. Hopeman and Mr. Petters at Mr. Petters’ Minnetonka residence later that Saturday. I informed him that Mr. Dixon was willing to hold off on the potential forfeitures because the government was concerned about collateral damage to Sun Country Airlines and Polaroid. I informed Mr. Petters that the only way he could avoid forfeiture was to relinquish control of the Petters Entities and do so very quickly. Subsequent to that meeting, I informed AUSA Dixon that Mr. Petters had tentatively agreed to put me in control of the Petters Entities and was strongly considering stepping down from his leadership positions.

d. On Sunday, September 28, 2008, Mr. Petters, Mr. Hopeman and I met at PGW’s headquarters. After that meeting, Mr. Petters agreed to step down the following

day and to vacate the premises. Mr. Petters actually cleared his personal effects from his office that day. There was considerable discussion about who would be on the “proposed management team” after Mr. Petters departed. It was agreed that everything would be transparent and that I was authorized to report to the United States Attorney’s Office essentially each step that was taken. I informed AUSA Dixon of Mr. Petters’ plan to resign on Monday, September 29, 2008 when we met at the offices of the United States Attorney that evening.

e. On Monday, September 29, 2008, I met Mr. Petters and Mr. Hopeman at the PGW headquarters. In front of the assembled employees, Mr. Petters tearfully resigned his position and symbolically left the building. I then addressed the employees and assured them that I would cooperate with the federal government and do everything I could to stabilize the operating businesses.

f. During that week I did not make any material management decisions. I had no formal authority to make any material management decisions, and the informal scope of my authority was unclear. I focused on learning about the various Petters Entities’ operations, responded to calls and inquiries of creditors and parties in interest, interviewed potential counsel, and interviewed personnel of the various Petters Entities. I was focused on becoming informed so that I could determine where to focus financial and professional resources so that they could be stabilized, and that value could be preserved. I was also meeting and communicating daily—and often several times per day—with the U.S. Attorneys office in order to discuss alternatives and options to preserve the value of the Petters Entities for creditors and victims.

g. During that week I learned that Thane Ritchie and the entities that he controlled had obtained an *ex parte* order in Cook County freezing the assets of PGW. I

learned that the Ritchie group wanted William Procida appointed as the receiver or as interim CEO.

h. On Thursday, October 2, 2008, I informed the United States Attorney's Office of the Illinois proceedings. I basically spent the entire day meeting with the United States Attorney's Office, which decided to obtain a TRO freezing all the assets of Petters Company, Inc., Petters Group Worldwide, LLC and any affiliates, subsidiaries, successors, or assigns owned or controlled by the foregoing. Judge Montgomery signed that order on Friday, October 3, 2008.

8. During the weekend of October 4, 2008 and October 5, 2008, I learned that the Illinois Court had appointed William Procida as receiver in Illinois. The United States Attorney's Office then decided that they would seek a federal receivership. My name was one of three names submitted to Judge Montgomery on the morning of Monday, October 6, 2008. My name was acceptable to the United States Attorney's Office and to Mr. Petters. Judge Montgomery summoned me to her chambers and asked whether I had ever represented Mr. Petters, represented any of his corporations, socialized with him or otherwise had any contact with him before September 26, 2008. I answered "no" to each of her questions. Judge Montgomery appointed me receiver of "Petters Company, Inc.; Petters Group Worldwide, LLC; and any affiliates, subsidiaries, divisions, successors, or assigns owned 100% by the foregoing" at the close of that meeting.

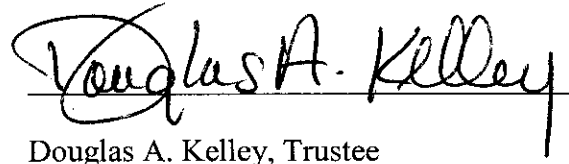
9. In a subsequent order dated October 14, 2008, Judge Montgomery then appointed me to be the receiver for the remaining individual Defendants, with the exception of Defendant Frank E Vennes, Jr. Judge Montgomery appointed Mr. Gary Hansen as receiver for Mr. Vennes and his affiliated entities.

10. For the foregoing reasons, I am a disinterested person within the meaning of 11

U.S.C. § 101.

I declare under penalty of perjury that the foregoing is true and correct according to the best of my knowledge, information and belief.

Executed on: December 23, 2008

  
Douglas A. Kelley, Trustee



**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

**In Re:**

**Petters Company, Inc., et. al.,**

**Debtor(s).**

**(includes:**

**Petters Group Worldwide, LLC;**

**PC Funding, LLC;**

**Thousand Lakes, LLC;**

**SPF Funding, LLC;**

**PL Ltd., Inc.;**

**Edge One LLC;**

**MGC Finance, Inc.;**

**PAC Funding, LLC;**

**Palm Beach Finance Holdings, Inc.)**

**Jointly Administered under**

**Case No. 08-45257**

**Court Files No.'s:**

**08-45258 (GFK)**

**08-45326 (GFK)**

**08-45327 (GFK)**

**08-45328 (GFK)**

**08-45329 (GFK)**

**08-45330 (GFK)**

**08-45331 (GFK)**

**08-45371 (GFK)**

**08-45392 (GFK)**

**Chapter 11 Cases**

**Judge Gregory F. Kishel**

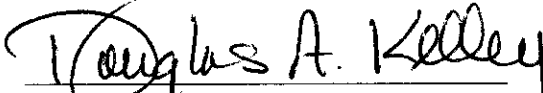
**Application for Order Approving the  
Appointment of Trustee**

I, Douglas A. Kelley hereby state the following under penalty of perjury, under 18 U.S.C. § 1001:

1. I have filed income tax returns for three years preceding appointment.
2. I owe no delinquent tax obligations to any taxing authority.
3. I have never been convicted of a felony.
4. I am not addicted to any drug, narcotic or alcohol.
5. There are no outstanding money judgments entered against me.
6. I am not individually named as a defendant in any lawsuit pending at this time.
7. I am not delinquent in repaying any outstanding student loan obligations.
8. I hereby agree to submit to a background check and to furnish all information and documentation needed to resolve questions arising therefrom.

9. That I will promptly advise the Office of the United States Trustee of any circumstances that cause any statement in this affidavit to change.

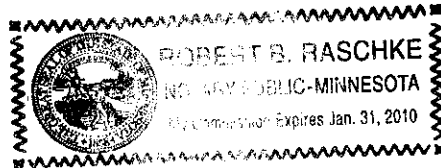
Dated this 23 day of December, 2008

  
\_\_\_\_\_  
Douglas A. Kelley  
AFFIANT

STATE OF MINNESOTA )  
 ) ss:  
COUNTY OF HENNEPIN )

Executed and acknowledged before me, the undersigned notary, on this 23, day of December, 2008.

  
\_\_\_\_\_  
NOTARY PUBLIC My Commission expires on: \_\_\_\_\_



**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

<p><b>In Re:</b></p> <p><b>Petters Company, Inc., et. al.,</b></p> <p style="text-align: right;"><b>Debtor(s).</b></p> <p><b>(includes:</b> <b>Petters Group Worldwide, LLC;</b> <b>PC Funding, LLC;</b> <b>Thousand Lakes, LLC;</b> <b>SPF Funding, LLC;</b> <b>PL Ltd., Inc.;</b> <b>Edge One LLC;</b> <b>MGC Finance, Inc.;</b> <b>PAC Funding, LLC;</b> <b>Palm Beach Finance Holdings, Inc.)</b></p>	<p><b>Jointly Administered under Case No. 08-45257</b></p> <p><b>Court Files No.'s:</b> <b>08-45258 (GFK)</b> <b>08-45326 (GFK)</b> <b>08-45327 (GFK)</b> <b>08-45328 (GFK)</b> <b>08-45329 (GFK)</b> <b>08-45330 (GFK)</b> <b>08-45331 (GFK)</b> <b>08-45371 (GFK)</b> <b>08-45392 (GFK)</b></p> <p><b>Chapter 11 Cases Judge Gregory F. Kishel</b></p> <p><b>Application for Order Approving the Appointment of Trustee</b></p>
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**APPOINTMENT OF TRUSTEE IN CHAPTER 11 CASES**

Based upon the order, dated December 17, 2008, of the United States Bankruptcy Court for the District of Minnesota directing the appointment of a chapter 11 trustee, the United States Trustee hereby appoints the following person as chapter 11 trustee in the above cases:

Douglas A. Kelley  
Centre Village Offices, Suite 2530  
431 South Seventh Street  
Minneapolis, MN 55415

Dated: December 24, 2008

HABBO G. FOKKENA  
United States Trustee  
Region 12

/e/ Robert B. Raschke  
Robert B. Raschke, 161081  
Assistant U.S. Trustee  
Office of the U.S. Trustee  
U.S. Courthouse, Suite 1015  
300 South Fourth Street  
Minneapolis, MN 55415  
TELE: (612) 664-5500

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

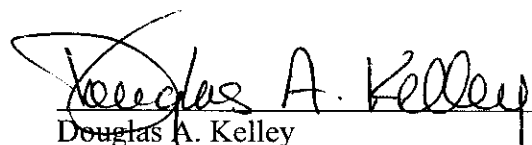
<p><b>In Re:</b></p> <p style="text-align: center;"><b>Petters Company, Inc., et. al.,</b></p> <p style="text-align: right;"><b>Debtor(s).</b></p> <p><b>(includes:</b> <b>Petters Group Worldwide, LLC;</b> <b>PC Funding, LLC;</b> <b>Thousand Lakes, LLC;</b> <b>SPF Funding, LLC;</b> <b>PL Ltd., Inc.;</b> <b>Edge One LLC;</b> <b>MGC Finance, Inc.;</b> <b>PAC Funding, LLC;</b> <b>Palm Beach Finance Holdings, Inc.)</b></p>	<p><b>Jointly Administered under Case No. 08-45257</b></p> <p><b>Court Files No.'s:</b> <b>08-45258 (GFK)</b> <b>08-45326 (GFK)</b> <b>08-45327 (GFK)</b> <b>08-45328 (GFK)</b> <b>08-45329 (GFK)</b> <b>08-45330 (GFK)</b> <b>08-45331 (GFK)</b> <b>08-45371 (GFK)</b> <b>08-45392 (GFK)</b></p> <p><b>Chapter 11 Cases Judge Gregory F. Kishel</b></p> <p><b>Application for Order Approving the Appointment of Trustee</b></p>
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**Acceptance of Appointment as Chapter 11 Trustee**

1. The undersigned hereby accepts appointment by the United States Trustee to the position of trustee in the above-referenced cases.

2. The undersigned acknowledges that he must, within five (5) days of the date of the entry of the Court's approval of my appointment, qualify for a bond to ensure his faithful performance of the chapter 11 trustee's duties. The amount of the bond shall be determined by the United States Trustee.

Dated: Dec 23, 2008

  
Douglas A. Kelley

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

**In re:**

**Petters Company, Inc.; et.al.'**

**Jointly Administered under  
Case No. 08-45257**

**Debtor(s).**

**(includes:**

**Petters Group Worldwide, LLC;**

**PC Funding, LLC;**

**Thousand Lakes, LLC;**

**SPF Funding, LLC;**

**PL Ltd., Inc.;**

**Edge One LLC;**

**MGC Finance, Inc.;**

**PAC Funding, LLC;**

**Palm Beach Finance Holdings, Inc.)**

**Court Files No.'s**

**08-45258 (GFK)**

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**08-45331 (GFK)**

**08-45371 (GFK)**

**08-45392 (GFK)**

**Chapter 11 Cases**

**Judge Gregory F. Kishel**

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**CERTIFICATE OF SERVICE**

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The undersigned hereby certifies under penalty of perjury that she is an employee in the Office of the United States Trustee for the District of Minnesota and is a person of such age and discretion as to be competent to serve papers. That on December 24, 2008, she served a copy of the attached: **APPLICATION FOR ORDER APPROVING THE APPOINTMENT OF TRUSTEE**, by placing said copy in a postpaid envelope addressed to the person(s) hereinafter named, at the place and address stated below, which is the last known address, and by depositing said envelope and contents in the United States Mail at Minneapolis, Minnesota.

**VIA CM/ECF ONLY:**

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By: /e/Lilia Serna de Coronado  
**Lilia Serna de Coronado**  
**Office of the United States Trustee**  
**300 South 4th Street**  
**Minneapolis, MN 55415**



<p><b>In Re:</b></p> <p><b>Petters Company, Inc., et. al.,</b></p> <p style="text-align: right;"><b>Debtor(s).</b></p> <p><b>(includes:</b>  <b>Petters Group Worldwide, LLC;</b>  <b>PC Funding, LLC;</b>  <b>Thousand Lakes, LLC;</b>  <b>SPF Funding, LLC;</b>  <b>PL Ltd., Inc.;</b>  <b>Edge One LLC;</b>  <b>MGC Finance, Inc.;</b>  <b>PAC Funding, LLC;</b>  <b>Palm Beach Finance Holdings, Inc.)</b></p>	<p><b>Jointly Administered under</b>  <b>Case No. 08-45257</b></p> <p><b>Court Files No.'s:</b>  <b>08-45258 (GFK)</b>  <b>08-45326 (GFK)</b>  <b>08-45327 (GFK)</b>  <b>08-45328 (GFK)</b>  <b>08-45329 (GFK)</b>  <b>08-45330 (GFK)</b>  <b>08-45331 (GFK)</b>  <b>08-45371 (GFK)</b>  <b>08-45392 (GFK)</b></p> <p><b>Chapter 11 Cases</b>  <b>Judge Gregory F. Kishel</b></p> <p><b>Application for Order Approving the</b>  <b>Appointment of Trustee</b></p>
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Based upon the Application for Order Approving Appointment of Trustee filed by the United States Trustee,

IT IS ORDERED: The appointment of Douglas A. Kelley as the chapter 11 trustee in the above jointly administered cases is approved.

BY THE COURT:

Dated: \_\_\_\_\_

\_\_\_\_\_  
GREGORY F. KISHEL  
UNITED STATES BANKRUPTCY JUDGE