

**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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**APPOINTED TRUSTEE'S RESPONSE TO OBJECTION TO APPOINTMENT OF  
DOUGLAS A. KELLEY AS TRUSTEE FOR ALL OF THE DEBTORS IN THESE  
JOINTLY ADMINISTERED PROCEEDINGS**

Douglas A. Kelly, the appointed Trustee ("Appointed Trustee") in the above-referenced entities (the "Debtor Entities") submits this response to the Objection to Appointment of Douglas A. Kelley as Trustee for all of the Debtors in These Jointly Administered Cases brought by Ritchie Special Credit Investments, Ltd., Rhone Holdings II, Ltd., Yorkville Investment I, L.L.C., Ritchie Capital Structure Arbitrage Trading, Ltd., and Ritchie Capital Management, L.L.C. ("Ritchie Objection") (the objecting entities making the Ritchie Objection will collectively be referred to hereafter as the "Ritchie Group").

The Ritchie Objection is an objection to the appointment made by the United States Trustee ("UST"). Therefore the Appointed Trustee, whose status is unclear at the moment, will

not respond to the merits of the Ritchie Objection. It is expected that the UST, and other parties in interest, will do that. Rather, the Appointed Trustee submits this response for the purpose of identifying important and what are believed to be undisputed facts related to the Debtor Entities and the dozens of affiliated and subsidiary entities, so that the Court may consider these in the context of ruling on the Ritchie Objection.

## **I. BACKGROUND**

1. Petters Company, Inc. (“PCI”), founded in 1987, is a privately held Minnesota limited liability company. It is owned 100% by Thomas J. Petters. PCI, in turn, is the sole member and owns 100% of the membership interests of PC Funding, Thousand Lakes, SPF Funding, PL Ltd., Edge One and MGC Finance, and PAC Funding. The operations and management decisions of PCI and its subsidiary entities were all conducted at the company’s headquarters, located at 4400 Baker Road, Minnetonka, Minnesota. PCI served as a venture capital arm of the Petters enterprises, utilizing single purpose entities to obtain billions of dollars of funding, and purportedly to acquire merchandise for sale to wholesalers and retailers nationwide, which purchase and sale business may not have ever existed.

2. Petters Group Worldwide, LLC, (“PGW”) founded in 1988, is a privately held Delaware limited liability company. It is owned 100% by Thomas J. Petters. The management decisions of PGW and its subsidiary entities were conducted at the company’s headquarters, located at 4400 Baker Road, Minnetonka, Minnesota. PGW has investments in companies worldwide, which include 100% ownership of Polaroid (products include cameras, PoGo printers, LCD TVs, portable DVD players), among others. PGW obtained funding from investors/lenders but mostly from PCI.

3. On or about September 24, 2008, the Federal Bureau of Investigation (“FBI”), together with the Internal Revenue Service – Criminal Investigation Division (“IRS”) and the

United States Postal Inspection Service (“USPI”), executed a search warrant on the Petters Company Headquarters at 4400 Baker Road, Minnetonka, and seized records of PCI, PGW, their sole owner, Thomas J. Petters, and other employees allegedly involved in a fraudulent Ponzi scheme. On October 3, 2008, Thomas J. Petters was arrested on charges of mail and wire fraud, money laundering, and conspiracy. Other Petters executives implicated in this scheme have also been arrested on various charges and have pleaded guilty to certain crimes. The United States alleges that more than 20 lenders and lending groups may have been bilked out of more than \$3.45 billion.

4. As a result of the investigation and arrests, numerous other employees voluntarily terminated their employment with the Debtors, including the main law firm providing overall corporate counsel, the two senior in-house counsels, the CEO, the CFO, and others with knowledge of the financial transactions among the Debtors and with outside lenders and creditors.

5. The Debtor Entities were placed into Chapter 11 by Douglas A. Kelley (“Receiver”), the duly appointed receiver of PCI and PGW, and any affiliates, subsidiaries, divisions, successors or assigns owned 100% or controlled by the foregoing, pursuant to an Order for Entry of Preliminary Injunction, Order Appointing Receiver, and Other Equitable Relief (the “Receivership Order”), entered October 6, 2008 in civil case number 08-CV-5348 ADM/JSM, United States District Court for the District of Minnesota. The Receivership Order provided that Mr. Kelley should provide necessary acts, “including but not limited to filing any bankruptcy petitions for any of the [Debtor] Entities to protect and preserve the assets of any of the [Debtor] Entities in acting as management or debtor in possession of any of the Entities so

filed by the Receiver, and to appear and be heard in any bankruptcy of any of the Entities not filed by the Receiver.” The receivership Order as amended is attached as **Exhibit A**.

6. Shortly after the filing of the Chapter 11 cases, the United States Trustee’s office (local and national) expressed its concern with the ability of Mr. Kelley to serve as a debtor in possession of these Debtor Entities, because the Bankruptcy Code does not recognize a receiver automatically continuing as a debtor in possession. The United States Trustee’s office advised the Debtor Entities that it would bring a motion to appoint a trustee for the Debtor Entities, and the Debtor Entities indicated they would not oppose the motion. Mr. Kelley moved to have the Receiver Order modified, to delete the provision providing for him serving as a debtor in possession, which motion was granted. The UST Motion was granted and this Court ordered the appointment of a Trustee for the Debtor Entities.

7. On December 23, 2008 the Appointed Trustee executed and delivered to the UST a Verified Statement of Douglas A. Kelley, a true and correct copy of which is attached as **Exhibit B**. On December 24, 2008, Douglas A. Kelley was appointed the Chapter 11 Trustee of the Debtor Entities by the UST .

## **II. THE RITCHIE GROUP**

### **A. Illinois Receivership Proceeding**

8. The Ritchie Group, while now arguing for separate Trustees, previously sought a single receiver for PCI and PGW in the Illinois state court proceedings where it proposed that William Procida, be the sole Receiver of both PCI and PGW.

9. That proceeding was commenced by the Ritchie Group filing a Complaint against Thomas J. Petters, Petters Group Worldwide, LLC and Petters Company, Inc., in the Circuit Court of Cook County, Illinois, On September 29, 2008, a true and correct copy of which is Attached as **Exhibit C-1**, and obtained a Temporary Restraining Order against the defendants.

10. The Complaint specifically alleges that the Ritchie Group was defrauded by Thomas J. Petters, PGW and PCI in paragraphs 4, 22, 23, 24, 39, 40, 41, 42, 43 and 44, not unlike the other creditors and/or victims from whom the Ritchie Group now attempts to distinguish themselves.

11. The Ritchie Group filed a Motion to Amend Temporary Restraining Order to Include the Appointment of a Receiver to Protect the Collateral, dated October 3, 2008, a true and correct copy of which is attached as **Exhibit C-2** (“Ritchie Receiver Motion”). The Ritchie Group requested that the “Court appoint William Procida as Receiver for the Collateral, including PGW and PCI and all its operations, with all of the usual powers of a receiver, . . . .” Ritchie Receiver Motion at ¶ 40. By Order entered October 6, 2008, a true and correct copy of which is attached as **Exhibit C-3**, William Procida was “appointed Receiver of the Petters Entities”, which is defined to include PGW and PCI. Order at ¶ 2. By Order entered October 10, 2008, a true and correct copy of which is attached as **Exhibit C-4**, the Illinois Circuit Court, after reciting its consideration of the Minnesota U.S. District Court proceedings and its denial of the Motions brought by the Ritchie Group and William Procida to intervene in those proceedings, ruled that the Illinois Court’s September 20, 2008 and October 3, 2008 Orders expired and were of no present effect.

**B. Ritchie Group Advanced Funds only to PCI**

12. The Ritchie Group obtained notes dated February 1, 2008 through February 19, 2008 for a total of approximately \$146 million, which notes were payable to the Ritchie Group and, according to the notes, the borrowers were PGW and Thomas J. Petters, individually.<sup>1</sup> However, these obligations were only “papered” as obligations of PGW, as every dollar of the

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<sup>1</sup> On March 21, 2008 various members of the Ritchie Group also signed promissory notes in the amount of \$21 million and in the amount of \$10 million with PCI and Thomas J. Petters, individually.

\$146 million was wired directly by the Ritchie Group into the bank account of PCI at M&I Bank and not into a PGW account. See Third Party Note Activity attached as **Exhibit D-1**.<sup>2</sup> Exhibit D-1 is a summary of the activity in PCI's bank account prepared from bank records. Exhibit D-1 also shows the other fund activity in and out of PCI, M&I Bank account number 1959018 for the dates when the Ritchie Group funds were wire-transferred into the PCI account. This exhibit shows the deposit of funds from each Ritchie Group note and the same-day use of those funds. This demonstrates how loosely funds were distributed around the various Petters companies, although notably no funds appear to have gone to PGW. Virtually all of these funds went immediately to pay other investors. Any claim by the Ritchie Group to be a creditor of PGW would appear to be avoidable on theories of fraudulent transfer and otherwise, for various reasons including the fact that neither PGW nor any of its subsidiary entities received any funds or benefit from the transactions documented with the Ritchie Group. PGW and PCI have each scheduled the Ritchie Group claims as disputed, and the Ritchie Group has not filed any proofs of claim to date.

13. The principal amount the Ritchie Group invested in PCI in February is \$146 million. Interest accrues on these notes at an annual rate of 80% per annum. PCI, PGW and Thomas J. Petters issued two additional notes to the Ritchie Group in May of 2008, totaling \$12 million which two notes accrue interest at a rate of 362.1% per annum. The Ritchie Group's alleged claimed amount owing appears to be based upon these amounts along with those identified in footnote 1, plus accrued interest. A true and correct representative copy of an 80% note and a 362.1% note are attached as **Exhibit D-2** and **Exhibit D-3** respectively.

14. Virtually all the Ritchie Group's funds were directly wired to the account of PCI in February 2008, and used to pay investors of PCI and its subsidiary entities. The Ritchie Group

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<sup>2</sup> The Ritchie Group deposits on Exhibit D-1 total \$146 million—the same amount as the referenced notes.

attempted several months later to secure these obligations by obtaining third-party pledges from Polaroid Corporation of the trademarks for Brazil, China and India, as evidenced by a true and correct UCC-1 filing dated September 19, 2008 and attached hereto as **Exhibit D-4**. The Ritchie Group also filed a financing statement on September 22, 2008, which reflects that it obtained a purported security interest from PCI in Polaroid Corporation and Polaroid Consumer Electronics, LLC notes in the original principal amount of \$28,982,645 payable from the Polaroid entities to PCI. A true and correct copy of UCC-1 filing is attached as **Exhibit D-5**. In addition the Ritchie Group appears to have obtained third-party pledges from Petters Capital, LLC in purportedly secured notes in an aggregate amount of \$135 million in original principal from Polaroid Corporation in favor of Petters Capital, LLC. A true and correct copy of the UCC-1 financing statement reflecting this transaction which was recorded on September 26, 2008 (two days after the government searched the Debtor Entities premises) is attached as **Exhibit D-6** (the secured party name is TLP Services, LLC which the Appointed Trustee assumes is an agent of the Ritchie Group as its address is the same as on the other Ritchie Group UCC filings). Neither Polaroid Corporation nor Petters Capital, LLC appear to owe any money to the Ritchie Group, nor does it appear that any Ritchie Group money ended up in any of these entities or that they received any benefit from the Ritchie Group or funds advanced by it. These transactions appear to be avoidable by Polaroid Corporation (currently in Chapter 11) and by Petters Capital, LLC (which is not in Chapter 11 but which is an entity under the Receivership) under fraudulent transfer and other theories.

### **III. CRIMINAL PROCEEDINGS AGAINST PGW AND PCI**

15. Prior to the filing of the present motion, Thomas J. Petters, PCI and PGW were each indicted for mail fraud, wire fraud, conspiracy to commit mail and wire fraud, and money laundering conspiracy in *United States v. Thomas J. Petters, Petters Company, Inc., and Petters*

*Group Worldwide, LLC* (08-CR-364 (RHK/AJB) (emphasis added). The Criminal Indictment (“Indictment) and true and correct copy of which is attached as **Exhibit E**, states that PCI and PGW “did knowingly devise and participate in a scheme and artifice to defraud and to obtain billions of dollars in money and property by means of materially false and fraudulent pretenses, representations, and promises.” Indictment at ¶ 4 (emphasis added). The Indictment also states that “PGW and its agents made numerous false statements, false representations and material omissions to fraudulently induce investors to provide defendants PCI and PGW with billions of dollars.” *Id.* at ¶ 5.

16. Ritchie contends that the Indictment returned against Thomas J. Petters, PCI and PGW supports its position that the Appointed Trustee should not serve as the Trustee for the Debtor Entities because PGW’s subsidiaries “own[] significant assets and operating business” whereas PCI’s subsidiaries “were mere shell companies primarily used for furthering Petters’s fraud. . . .” Ritchie Objection, p. 3. Ritchie claims that PGW is only minimally implicated in the criminal case in contrast to PCI, because “only one of the twenty Counts (Count 20) of the Indictment mentions a transaction involving PGW” and even that alleged crime names only Thomas J. Petters as a defendant. Objection, p. 7, n.6. Ritchie’s assessment of the Indictment, and its minimization of PGW’s alleged complicity in the indicted criminal activity, is incomplete and inaccurate.

17. The Indictment repeatedly and unambiguously alleges that both PCI and PGW were engaged in a fraudulent scheme to mislead investors and divert assets through the actions of conspirators that included Thomas J. Petters, PCI, and PGW, aided and abetted by Deanna Coleman, Robert White, Michael Catain, Larry Reynolds, and “others known and unknown to

the Grand Jury” Indictment, ¶ 4. The Indictment does not characterize PGW as a distant benchwarmer to alleged crimes. On the contrary, the Indictment alleges that:

Defendant PETTERS used defendants PCI and PGW and their affiliates, including subsidiary corporations, to execute an extensive fraud scheme. PETTERS, PCI and its agents . . . and PGW and its agents, made numerous false statements, false representations and material omissions to fraudulently induce investors to provide defendants PCI and PGW with billions of dollars. These funds were purportedly to be used to purchase merchandise which would then be sold at a profit. In fact, there were no such purchases or resales. Instead, defendants PETTERS, PCI and PGW and their co-conspirators would divert the funds to other purposes.

Indictment, ¶ 5.

18. Paragraph 5 is only one among many in the Indictment articulating the grand jury’s probable cause finding that PGW, along with PCI, was an integral player in the fraudulent actions of a consortium of individuals and business entities. *See, e.g.*, Indictment, ¶¶ 7 (“PETTERS, PCI and PGW and their co-conspirators . . . made false statements, made material misrepresentations and created false documentation”); 8 (“the proceeds of the fraud were used to . . . fund businesses owned or controlled by the defendants”); 17 (“to effect the objects of the conspiracy . . . the defendants and their co-conspirators committed and cause to be committed the acts alleged in Counts 1 through 10”). Perhaps even more importantly, the Indictment specifies that PGW is a co-defendant with Petters and PCI with respect to Counts 1-7 (Mail Fraud), 8-10 (Wire Fraud), 11 (Conspiracy to Commit Mail and Wire Fraud), and 12 (Money Laundering Conspiracy). Thus, the Indictment precisely teaches that PGW allegedly was integral to the fraud identified in the criminal case and was not a mere bystander to be assessed differently than PCI.

19. Separate criminal counsel has been retained to advise Mr. Kelley with respect to responding to the Indictment against PGW and PCI.

#### **IV. FORFEITURE**

20. The Receiver is not the party who commences or pursues criminal or civil forfeiture proceedings—it is the United States Attorneys office that does this. It is unknown at this time when and if it will seek to pursue such remedies against assets of the Debtor Entities. The Receiver does not answer to the United States Attorney’s office. To date the Receiver, with Judge Montgomery’s approval, has used assets from various subsidiary entities of PGW to satisfy to the extent possible vendor and employee claims, and such funds have not been “forfeited” for victims. Mr. Kelley’s responsibilities as Receiver do not preclude him from opposing or otherwise objecting to any actions the United States may take on behalf of the victims of the Debtor Entities’ alleged fraud.

#### **V. INTER-COMPANY CLAIMS BEWEEN AND AMONG THE DEBTOR ENTITIES AND THEIR AFFILIATED ENTITIES**

21. The Debtor Entities recently filed their completed schedules in these cases. Upon reviewing the schedules, it becomes immediately obvious that the Debtor Entities, along with the dozens of other subsidiary entities of these Debtor Entities, and affiliates of other entities owned by Thomas J. Petters, have accrued inter-company obligations, engaged in extensive transferring of funds between PCI, PGW and subsidiary entities of each, and incurred inter-company obligations on behalf of other entities at hundreds of million dollar levels. The records of affiliates of the Debtor Entities who have not filed bankruptcy will only expand the inter-relatedness of the financial web of transactions flowing across the Petters’ empire. A summary of some of the larger inter-company claims based upon existing documentation (although all are scheduled as disputed) follows. This is by no means close to a complete picture of the amount in

terms of number or dollar of inter-company obligations. The validity of the amounts is not known either, but are reflected in these approximate amounts by either documents or accounting records. These reflect that claims are just as likely to be between parent and subsidiary entities under PCI and PGW respectively, as between PCI and PGW or their respective subsidiaries. These transfers do not, however, reflect the substantial inter-company obligations between and among the Debtor Entities and the various airline and aircraft related entities owned as first tier or sub-tier subsidiaries by Thomas Petters, Inc., an entity wholly owned by Thomas J. Petters. These are simply meant to be illustrative of the existing relationships between and among PGW, PCI and other entities owned by Thomas J. Petters, and their subsidiary entities, and the tangled web which has been woven among the affiliated entities, which number over 100, some of which are included on the abbreviated organization chart of select entities attached as Exhibit F.

**Petters Company, Inc. (“PCI”) is purportedly owed money by:**

- Central America Holdings, LLC in the amount of \$16 million (majority owned subsidiary)
- Edge One, LLC in the amount of \$30 million (100% subsidiary in Chapter 11)
- FAC Acquisition, LLC in the amount of \$20 million (100% subsidiary)
- MGC Finance, Inc. in the amount of \$10 million (100% subsidiary in Chapter 11)
- PAC Funding, LLC in the amount of \$29 million (100% subsidiary in Chapter 11)
- PL Ltd, Inc., in the amount of \$5 million (100% subsidiary in Chapter 11)
- Petters VB, LLC in the amount of \$10 million (100% subsidiary)
- PGW owes \$257 million to PCI and is owed \$65 million from PCI
- Petters Capital, LLC (100% subsidiary of PGW) has cash assets and collectable 3<sup>rd</sup> party receivables in a \$1-3 million range, is not in bankruptcy, has 3<sup>rd</sup> party creditors and owes PCI \$110 million and PGW \$1.7 million. It is also owed \$162 million from Polaroid Corporation pursuant to a secured note, which Petters Capital, LLC purportedly assigned to the Ritchie Group as reflected by a financing statement filed 9-26-08, which the Receiver believes is avoidable as a fraudulent transfer. PGW’s schedules reflect it owes Petters Capital, LLC \$258 million. It is also owed app. \$1 million from Central America Holdings, LLC and \$700,000 from PGW Holdings (100% subsidiary of PGW).
- Polaroid Consumer Electronics, LLC (3<sup>rd</sup> tier 100% sub. of PGW) owes PCI \$15.5 million
- Polaroid Corporation (3<sup>rd</sup> tier 100% sub of PGW) owes PCI \$27.5 million pursuant to a secured note.

**Petters Group Worldwide, LLC (“PGW”) is purportedly owed money by:**

- Central America Holdings, LLC in the amount of \$55,000
- Petters Capital, LLC (described above and 100% subsidiary) of \$1.7 million

- Petters Real Estate Group, LLC of \$95,000 (100% subsidiary)
- Polaroid Holding Company of \$2.8 million (100% subsidiary)
- Polaroid Consumer Electronics of \$42,000 (100% third tier subsidiary)
- Zink Imaging
- Petters Global Learning of \$167,000 (100% subsidiary)
- Trio Marketing of \$222,000 (100% subsidiary of Thomas J. Petters)
- Petters Warehouse Direct (63% subsidiary of Thomas J. Petters and 37% subsidiary of PCI)

**Select other Inter-company Transactions:**

- PGW pledged an interest in proceeds of Fingerhut Direct Marketing, Inc. stock to secure unrelated obligations of PC Funding, LLC to Opportunity Finance
- PGW guaranteed obligations of Acorn Capital Group, LLC, a substantial creditor of PAC Funding, LLC, to CIT in the amount of \$60 million
- PGW guaranteed obligations of PRG Alders Property, LLC (100% second tier subsidiary of Thomas J. Petters) in the amount of \$2.4 million to Minnwest Bank Metro and obligations of Petters Real Estate Group, LLC (100% wholly owned subsidiary of PGW) in the amount of \$1.3 million to Minnwest Bank

Most of the above information regarding inter-company claims is included in the Chapter 11 bankruptcy schedules filed in the Debtor Entities' bankruptcy cases, which schedules are incorporated by reference herein.

**VI. ANTICIPATED RESOLUTION OF CONFLICTS WHICH MAY ARISE**

22. The Appointed Trustee, if approved by this Court to serve as Trustee of the Debtor Entities, expects to focus for an extended period of time on liquidating of assets, recovery of assets, pursuit of avoidance claims against non-affiliated entities, and pursuit of avoidance actions against non-affiliated third parties. The issue of whether potential conflicts ripen into actual conflicts may be dependent in large part, on the amount of money available for distribution at various entities. At some point, the Appointed Trustee will make a determination on whether to bring an action to substantively consolidate some or all of the various Debtor Entities and their affiliates. If such a motion is brought, and granted, many or all of the inter-company claims will disappear for certain purposes, along with many or all of the potential conflicts. If such a motion is not brought, or brought and not granted, the time would probably be ripe for the Appointed Trustee to consider steps to resolve inter-company claims. At this

time, if direct conflicts arise, steps will be taken with the input of parties in interest including the UST, to determine an appropriate manner to address these issues, which would likely include approval by this Court.

## **VII. CONCLUSION**

23. It is a large task to unwind and reconstruct alleged fraudulent conduct, activity and transfers of funds in the multiple billions of dollars which have been ongoing for a period of time which may be in excess of ten years. Furthermore, it is a difficult task to step into such a business environment and to become familiar with the structure and operations of in excess of 100 legal entities. The Receiver has done just that. During the course of the past 110 days, Mr. Kelley, as receiver of the Debtor Entities and virtually all other Petters entities, has become intimately acquainted with the various businesses and their operations, stabilized them, cut costs, liquidated unprofitable business and has investigated assets and claims. The start-up time for someone else to do the same would be extraordinarily long, cost-prohibitive and wasteful. He has also placed entities in bankruptcy proceedings in order to preserve value and preserve claims, and has made great headway in determining what has occurred within the Debtor Entities and their affiliates, and what needs to occur in the days ahead.

24. Mr. Kelley has retained PricewaterhouseCoopers, LLC, a nationally-recognized forensic accounting team, who is busy analyzing transfers and determining where the various creditor funds went and from where they may be recovered. Mr. Kelley has retained on behalf of Polaroid Corporation, Houlihan Lokey as its financial advisor to determine how best to maximize the value of that ongoing business. Mr. Kelley has retained FTI Consulting, Inc., an international consulting firm, as a financial advisor to the Receiver to maximize the value of assets held by the Receiver. Mr. Kelley has also retained experienced bankruptcy, litigation and corporate counsel to assist him in the various aspects of performing his receivership duties. A

summary of Mr. Kelley's actions is included in the First Report of Receiver filed in U.S. District Court Case No. 08-cv-5348 ADM/JSM on December 22, 2008, and attached as Exhibit G.

25. The duplication of costs associated with multiple trustees would be grossly inefficient and minimize potential recovery to the creditors who are owed money by the Debtor Entities. This then begs the question of what would happen to subsequent entities the Receiver is almost certain to put into bankruptcy proceedings. Do they need separate Trustees appointed as well, with their own set of professionals? Finally, it would seem to be unwieldy for a separate Trustee to be appointed over PGW when Doug Kelley the Receiver would remain in control of the dozens of PGW entities not in bankruptcy. Multiple trustees along with the Receiver could spend the next several years stumbling over each another as they attempt to try to pursue claims between, among and arising from PCI, PGW, Thomas J. Petters and the various entities under them. Without a coordinated approach pursued by one trustee with the input and cooperation of active creditor committees (which is in place for the Debtor Entities and for the Polaroid Corporation entities under PGW in the organization chart), there would most assuredly be a tremendous waste of assets by significantly increasing professional claims. This would substantially impair the ability to maximize distribution to creditors.

Dated: January 21, 2009

LINDQUIST & VENNUM P.L.L.P.

By: e/ James A. Lodoen

James A. Lodoen (173605)

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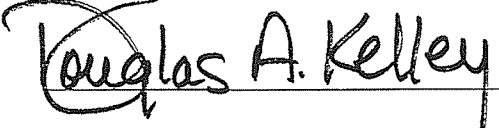
(612) 371-3207 (facsimile)

**ATTORNEYS FOR APPOINTED  
TRUSTEE DOUGLAS A. KELLEY**

**VERIFICATION**

I, Douglas A. Kelley, Appointed Trustee of these Debtors, declare under penalty of perjury that the facts set forth in the preceding motion are true and correct according to the best of my knowledge, information and belief.

Executed on: January 21, 2009

  
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**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

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In re:

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08-45392 (GFK)

Chapter 11 Cases  
Judge Gregory F. Kishel

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**CERTIFICATE OF SERVICE**

Gretchen Luessenheide of the City of New Hope, County of Hennepin, State of Minnesota, being first duly sworn on oath, states that on January 21, 2009 she served the following documents:

Appointed Trustee's Response to Objection to Appointment of Douglas A. Kelley as Trustee  
for All of the Debtors in These Jointly Administered Proceedings

upon:

Arrowhead Capital Management LLC c/o James N. Fry 601 Carlson Parkway, Suite 1250 Minnetonka, MN 55305	Mark R. Jacobs Pryor Cashman LLP 410 Park Avenue New York, NY 10022
Ronald R. Peterson Jenner & Block, LLP 330 North Wabash Avenue Chicago, IL 60611-7603	Taunton Ventures LP c/o Paul Taunton 990 Deerbrook Drive Chanhassen, MN 55317
Petters Company, Inc. 4400 Baker Road Minnetonka, MN 55343	Petters Group Worldwide 4400 Baker Road Minnetonka, MN 55343

Dean Vlahos 294 Grove Lane E, Suite 113 Wayzata, MN 55391	Welsh Baker Road c/o Steve Ryan or Mike Gordon Briggs and Morgan 2200 IDS Center 80 South Eighth Street Minneapolis, MN 55402
Internal Revenue Service PO Box 21126 Philadelphia, PA 19114	US Attorney for District of Minnesota 600 U.S. Courthouse 300 South Fourth Street Minneapolis, MN 55415
Minnesota Department of Revenue Collection Division P. O. Box 64564 St. Paul, MN 55164-0564	Huron Consulting Group, Inc. 4795 Paysphere Circle Chicago, IL 60674-4795
Douglas A. Kelley Kelley & Wolter Centre Village Offices 431 S. Seventh Street, Suite 2530 Minneapolis, MN 55415	Connie Lahn David Runck Fafinski Mark & Johnson, P.A. Flagship Corporate Center 775 Prairie Center Drive, Suite 400 Eden Prairie, MN 55344

via U.S. Mail to the addresses listed above, and electronically by Notice of Electronic Filing, and upon all parties who have requested service in these cases by filing the same via ECF with the Bankruptcy Court in the District of Minnesota.

/e/ Gretchen Luessenheide  
Gretchen Luessenheide