

**UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA**

United States of America,

Plaintiff,

Civil No. 08-cv-5348 (ADM/JSM)

v.

Thomas Joseph Petters;
Petters Company, Inc.;
Petters Group Worldwide, LLC;
et al.

Defendant.

William Procida, as the Illinois receiver
of Petters Group Worldwide, LLC
and Petters Company, Inc.,

Applicant for Intervention.

**AFFIDAVIT OF WILLIAM
PROCIDA IN SUPPORT OF
EMERGENCY MOTION: (1) TO
INTERVENE IN LAWSUIT, AND
(2) TO AMEND COURT ORDER
UNDER FED. R. CIV. P. 59**

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

William Procida, being first duly sworn, deposes and states, as follows:

1. My name is William Procida. I make this Affidavit based on my own personal knowledge and in support of my emergency motion: (1) to intervene in this lawsuit, and (2) to amend the Court's October 6, 2008 Order under Fed. R. Civ. P. 59. If called upon to testify about the matters contained herein, I could and would competently testify thereto.

Creditor Support for My Appointment as Receiver

2. An overwhelming majority of PGW and PCI's creditors in this case all support removing Mr. Kelley as Receiver and appointing me as Receiver for the Defendants' business. Specifically, the following creditors, who are owed approximately \$3.3 billion from PGW and PCI, all support my appointment as Receiver:

Name of Creditor	Estimated Dollar Amount Owed
Acorn Capital Group	\$300,000,000.00
Ritchie Capital	\$275,000,000.00
Lancelot Investment Management	\$1,400,000,000.00
Palm Beach Capital Management	\$1,100,000,000.00
Ark Royal Asset Management	\$150,000,000.00
ArrowHead Capital Management	\$100,000,000.00
Total	\$3,325,000,000.00

3. If necessary, representatives from each of these entities can be available to testify (in person or by telephone) as to the extent of their outstanding debt with PGW and PCI and their desires with respect to the appointment of a Receiver in this case.

My Appointment as Receiver for PGW and PCI
By the Illinois Court

4. On September 29, 2008, five lenders and investors (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.) filed

a lawsuit against Defendants Thomas J. Petters (“Petters”), Petters Group Worldwide, LLC (“PGW”) and Petters Company, Inc. (“PCI”) in the Circuit Court of Cook County, Illinois (“Illinois Court”) to recover substantial losses they incurred as a result of the defendants’ fraud. As part of their complaint the plaintiffs sought, among other things: (1) damages in the amount of approximately \$223,000,000.00; (2) preliminary and permanent injunctive relief; and (3) imposition of a constructive trust against the Defendants’ assets.

5. On approximately October 3, 2008, the Illinois Court appointed me as the court-appointed receiver for the Defendants (the “Illinois Receivership Order”). The Illinois Receivership Order provides:

It is hereby ordered that . . . William Procida be and hereby is appointed Receiver of the Petters Entities,¹ with all of the usual powers of a receiver, including without limitation, management and operation of the Petters Entities, collection of receivables, rents and other Collateral, payment of necessary taxes and other necessary expenses

Illinois Receivership Order, ¶ 2. Finally, the Illinois Receivership Order states: “When this Order becomes effective, defendants shall turn over to Mr. Procida possession of the Petters Entities. Defendants shall also turn over to Mr. Procida all of the books, records and accounts relating to any of the Petters Entities or other Collateral.” *Id.* ¶ 8 (emphasis added). A true and correct certified copy of the Illinois Receivership Order is attached hereto as Exhibit A.

¹ The Illinois Receivership Order defines the “Petters Entities” as Defendants Petters Group Worldwide, LLC and Petters Company, Inc.

6. Three days' later, on October 6, 2008, this Court signed its Order appointing Douglas A. Kelley as receiver for PGW, PCI and their affiliates. Procida now brings this motion seeking: (1) to intervene in this action under Fed. R. Civ. P. 24; and (2) to amend the Court's October 6, 2008 Order to appoint Procida as Receiver for PGW and PCI.

**My Qualifications to Serve
as a Receiver**

7. My wealth of experience in asset management, crisis management, restructuring, and financing makes me uniquely qualified to serve as receiver of Defendants' business assets and to protect the rights of Defendants' creditors. Attached hereto as Exhibit B is a copy of my biography.

8. I have been a successful, independent business person and entrepreneur for over 25 years. I specialize in turnarounds and have completed turnarounds in excess of a billion dollars.

9. I have an extensive cross section of business and turnaround experience. Specifically, I have experience in the areas of financing, transportation, real estate, receivable financing, and chemical manufacturing.

10. I am qualified to run the businesses and maximize return for all the creditors. Specifically, I began my career as a general contractor in 1980. In 1982, I founded Procida Development Corporation ("PDC") and ran the company as its CEO. PDC's first project was the development of the White Beach Condominiums. I personally raised all of the equity and construction financing and acted as builder and

developer of the \$10 million project. The White Beach Condominiums were the first major luxury development in the Bronx area of New York City in over a decade, and the project received many accolades, including a design award from the AIA.

11. I was co-director of the Procida Companies from 1985 to 1990, and again from 1991 to 1994. During this period, the Companies focused on asset acquisition and management and annual revenues increased from \$3 million to nearly \$50 million.

12. In 1990, I took a one-year leave of absence to become Vice President at the Trump Organization. On behalf of and reporting directly to Donald Trump, I traveled to Japan, Hong Kong and Europe to meet principals interested in participating in and/or acquiring Trump assets. In 1991, I rejoined the Procida Organization as Co-President.

13. I was specifically responsible for all real estate development and financing activities at Procida Companies, aggregating \$250,000,000 of residential and commercial new construction and renovations, and I served as personal guarantor for construction loans and credit facilities aggregating over \$100,000,000, all of which was repaid in full.

14. In 1994, after winning the NYC Developer of the Year Award, New York State Governor Housing Excellence Award, and the National Association of Home Builders "Pillars of the Industry Award," I sold my interests in the Procida Organization to launch William Procida Incorporated – an investment banking and advisory firm specializing in turn around situations in real estate and operating companies. WPI has completed projects with development value of over \$500,000,000.

15. In 2000, WPI became the founding member and majority shareholder of Palisades Financial, which launched two funds and provided bridge, mezzanine, and

equity financing to companies ranging from manufacturing to real estate. The fund closed over a \$1,000,000,000 of transactions and achieved annualized returns in excess of 15% between the years 2002 and 2007.

16. In December 2007, I sold my interest in Palisades Financial to reestablish my focus on advisory, special serving, restructuring and turnaround situations.

17. Over the years, I have received multiple awards for my work in addition to those already mentioned. These awards include:

- The Associated Builders and Owners of Greater NY Developer of the Year Award;
- The Bronx Borough President Citation of Merit;
- The Bronx Chamber of Commerce Crystal Apple Award;
- The Governor's Excellence Award in Housing;
- The American Jewish Congress' Horace M. Kallen Award for outstanding community service;
- The Pillar of the Industry Award for Best Affordable Project in the United States given by the National Association of Home Builders Multi-Housing Division and Multi-Housing News;
- The Mortgage Bankers Association Man of the Year; and
- The Mid Bronx Desperado's Business Man of The Year Award.

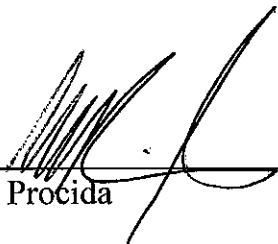
18. I have been honored to deliver lectures at multiple institutions of higher learning, including Yale University, Columbia University, and New York University. In addition, I have received positive recognition from industry associations, served on the oversight and managerial boards of multiple non-profits, and served as an industry source for multiple news organizations, such as CNBC and the New York Times, due to my expertise on issues relating to the financial markets and commercial debt.

19. I am familiar with and prepared to file written reports and accountings with the Court on a monthly basis, and to prepare a final accounting.

20. I am capable of fully performing my obligations as a receiver, which include securing, protecting, and managing the Defendants' assets for the benefit of Defendants' lenders and other creditors.

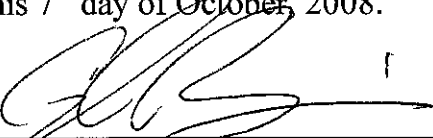
21. Moreover, because I understand the complexity of the issues facing the receivership, as well as the scope and gravity of the potential losses that creditors to the various Petters entities face, I stand fully prepared to dedicate all of my time and energy to the effective management of the receivership's assets.

22. Further, your affiant sayeth naught.



William Procida

Subscribed and sworn to before me
this 7th day of October, 2008.



Notary Public

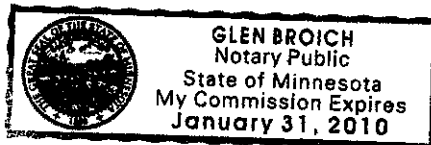


EXHIBIT A

ILLINOIS RECEIVERSHIP ORDER

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT - LAW DIVISION

RITCHIE SPECIAL CREDIT)
INVESTMENTS, LTD., RHONE)
HOLDINGS II. LTD., YORKVILLE)
INVESTMENT I, L.L.C., RITCHIE)
CAPITAL STRUCTURE ARBITRAGE)
TRADING, LTD., RITCHIE CAPITAL)
MANAGEMENT, L.L.C.)

Hon. Alexander White

Case No. 2008 L 51021

Plaintiffs,)

v.)

THOMAS J. PETTERS, PETTERS GROUP)
WORLDWIDE, LLC, PETTERS)
COMPANY, INC.)

Defendants.)

ORDER

This matter coming to be heard on Plaintiffs' Motion to Amend Temporary Restraining Order to Include the Appointment of a Receiver ("Motion to Amend TRO"), due notice having been given, and the Court being otherwise fully advised in the premises;

THIS COURT HEREBY FINDS that Plaintiffs 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. (collectively "Plaintiffs") are entitled to the appointment of a receiver for Defendants Petters Group Worldwide, LLC ("PGW"), Petters Company, Inc. ("PCI") (collectively the "Petters Entities").

ACCORDINGLY, IT IS HEREBY ORDERED THAT:

1. Plaintiffs' Motion to Amend TRO is granted.

2. William Procida be and hereby is appointed Receiver of the Petters Entities, with all of the usual powers of a receiver, including without limitation, management and operation of the Petters Entities, collections of receivables, rents and other Collateral, payment of necessary taxes and other necessary expenses, including reasonable compensation for himself/themselves and his/their staff for services related to the Receivership, and has authority to hire and fire employees and make all other necessary employment decisions, including but not limited to the retention of third party accounting and legal professionals. William Procida has the authority to take possession of the Collateral. Nothing in this Order shall be construed as entitling the Receiver to any lease or leasehold interest by any of the Petters Entities. The Receiver shall serve without bond and is a receiver reporting to this Court.

3. The Receiver shall serve until a full preliminary injunction proceeding can be held.

4. Not later than 30 days hereafter, William Procida shall file with this Court a detailed report and inventory of all property, real and personal, subject to this Order, designating any property presently in his possession and control.

5. In addition to the filing of the report described in paragraph 4 above, Mr. Procida shall file additional reports at least quarterly, and a final report upon the termination of the Receivership. Such reports shall contain detailed information of all funds collected, expended and balances on hand, and shall be filed on the forms prescribed by the Clerk of the Court.

6. Every receivership account for each of the Petters Entities shall be designated for banking purposes under a separate account, which account shall incorporate therein the court number of this case and address of the premises. Any account which is in excess of \$10,000.00 and is anticipated to continue longer than six months shall be held in an interest bearing account.

7. Costs of this Receivership shall be paid from the assets of the Petters Entities on a weekly basis. The Receiver shall keep a basic description of the hours and costs incurred in the Receivership and shall file the same with the periodic Receivership reports for informational purposes only but shall be entitled to pay such fees on a weekly basis as incurred and shall not have to apply to the Court for approval of such fees. Mr. Procida's monthly rate for 2008 is \$100,000 plus reasonable expenses and is subject to adjustment as of December 31, 2008. The Receiver also may retain and pay counsel, accountants and other professionals as needed and pay those costs as set forth above.

8. When this Order becomes effective, defendants shall turn over to Mr. Procida possession of the Petters Entities. Defendants shall also turn over to Mr. Procida all of the books, records and accounts relating to any of the Petters Entities or other Collateral.

9. This Order is without prejudice to any claims by Plaintiffs for misappropriation of any proceeds, rents, issues, or profits relating to any of the Collateral, or to any claims by Plaintiffs to any accounts containing any proceeds, rents, issues, or profits relating to the Collateral to which Plaintiffs are entitled or any other claims of Plaintiffs against any of the defendants or any other parties.

10. The Court shall retain jurisdiction to construe this Order, to assist in administering and enforcing the Receivership and to hear related matters, including but not limited to a supplemental necessary to assist the Receiver in administering the Petters Entities.

DATED: October 6, 2007

ENTERED



Judge

I hereby certify that the document to which this certification is affixed is a true copy.

Date **OCT 6 2008**

Dorothy Brown
Clerk of the Circuit Court
of Cook County, IL



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EXHIBIT B

BIOGRAPHY OF WILLIAM PROCIDA

Bio of William Procida

William Procida is president of William Procida Incorporated ("WPI"). He has been an independent entrepreneur since 1981. WPI was founded in 1995 and is based in Ft. Lee, New Jersey. The firm specializes in providing management and capital for both distressed and value added situations. In 2000 WPI became the founding member and majority shareholder of Palisades Financial ("Palisades"), which formed and managed two private equity funds. Palisades invested and managed over 100 positions including bridge loans mezzanine. Loans and equity positions on assets valued in excess of 1.5 billion dollars. The funds returns to investors exceeded 15 percent annually since 2002. These investments covered a broad range of asset classes including ski resorts, transportation companies, hotels, manufacturing facilities, and chemical plants, as well as conventional real estate asset classes. Investments were made and managed throughout the United States.

In March 2008, Mr. Procida sold his interest in Palisades and resumed activities under WPI, which most recently include completing assignments for GMAC Mortgage Group and Ritchie Capital.

Prior to forming WPI, Mr. Procida was co-president of the Procida organization from "TPO" located in New York City. TPO ran 4 divisions: construction, real estate development, real estate brokerage, and mortgage brokerage. The firm employed over 100 people and grew from \$2 million in sales in 1982 to over \$70 million in sales in 1994, with all years profitable. As a contractor, the firm constructed most asset classes and was one of New York City's premier development companies, winning numerous awards including the New York City Developer of the Year, an award Mr. Procida received at age 32. During this period, Mr. Procida borrowed and personally guaranteed and repaid over \$100 million. In 1990, Mr. Procida took a leave of absence from TPO to take on a full-time assignment with the Trump Organization. During this time, Mr. Procida reported directly to Mr. Donald Trump on investments, which included casinos, airlines, real estate development, and sports franchises.

Mr. Procidas' career has been covered extensively by the press and he has appeared on numerous televised broadcasts. He has lectured on business at numerous colleges and industry association meetings and has been on the board of several non profits.