

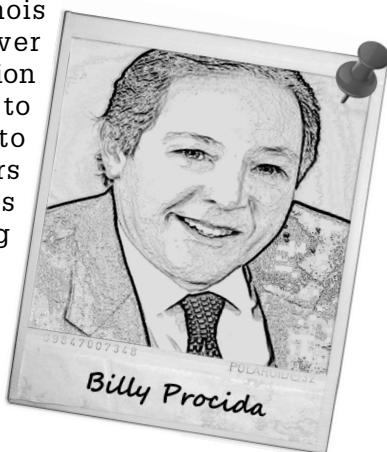
Where's The Money?

Behind the Scenes of the Petters Scam: Part 7

Tom Petters' creditors around the country were alarmed when the FBI raided his business offices in September of last year. That news was their first signal that Petters might be running a multi-billion-dollar Ponzi fraud. Some of the creditors urged Petters to put an outside expert, an honest umpire, in charge of his companies while the case worked itself out. They recommended a New Jersey management expert named William Procida. His specialty is tracking assets and mustering money from failed deals and distressed businesses--companies like Petters'. Petters, with his financial empire in rags and facing probable criminal charges, agreed to bring Procida on board. A large number of Petters' known creditors were polled and agreed with the choice of Procida.

At this point, a state court in Illinois appointed Procida as the receiver over Petters' companies' assets. That decision didn't last long, though. Procida flew to the Twin Cities in October of 2008 to meet with the executives of the Petters companies and also with Douglas Kelley, a lawyer who was representing those companies.

"I'll never forget," Procida says, "I walked in with one attorney, a low-priced attorney. Kelley walks in with six attorneys, six of the most expensive, high-powered attorneys in Minnesota."



"A quarter of the way through the meeting, I said, 'Mr. Kelley, these people—other people's money is paying for them. There's no need for six or seven attorneys at seven hundred dollars an hour here.'" He meant that attorney fees were being paid out of Petters' remaining assets--money being sought by, and likely belonging to, Petters' victims and creditors.

How did Kelley respond? "Mr. Kelley informed me that it would be appreciated if I packed my bags and I went back to New Jersey, in those exact words."

After a few frustrating days, Procida did that very thing. Despite the earlier receivership created by the Illinois courts, with the actions of the U.S. Attorney's office and federal judge Ann Montgomery, Kelley had himself appointed receiver over Petters' companies' assets. With that, the court in Illinois' canceled Procida's receivership.

Tomorrow: Douglas Kelley submits the bills for his fees to a judge in secret—and the details are never fully published.

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