

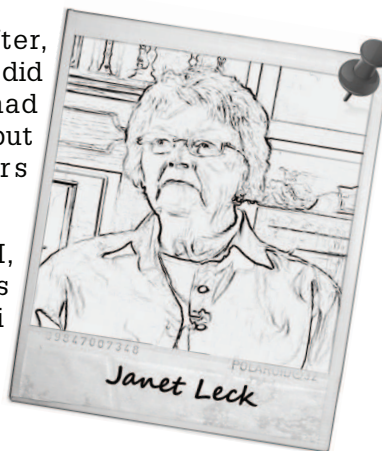
# Where's The Money?

Behind the Scenes of the Petters Scam: Part 1

Janet Leck's late husband "was Scottish, and he was not an easy person to part with his money," she remembers. Janet, 79, has lived in Minneapolis all her life — for the past 30 years in a modest condo. She and her "very careful, very conservative" husband heard about a great investment opportunity and decided to mortgage their home, invest some money, and do some remodeling so Mrs. Leck would finally have the kitchen she always wanted.

Her husband died shortly thereafter, after 51 years of marriage. Only last year did she learn that her beautiful kitchen had become a nightmare. Mr. & Mrs. Leck put their mortgage money into Petters Company, Inc. (PCI).

Tom Petters, the sole owner of PCI, is now on trial in federal court on charges of running PCI as a massive Ponzi scheme. The alleged fraud amounted to a total of \$3.6 billion—the largest in Minnesota history.



What does that mean for Mrs. Leck? "I cannot make the mortgage payments on my Social Security because that's the only income I have." She stands to lose her home to a foreclosure. She says she has forgiven Petters because "we're called to forgive everyone, even our enemies." Still, she wonders "how this could happen in the United States of America-- how our court system and the judges and the attorneys can manipulate things to their advantage."

Behind the scenes of a multi-billion-dollar fraud whose victims included many wealthy investors, it might be easy to overlook people like Mrs. Leck. But she's asked the most essential question—"how could this happen?"— and offered a troubling insight: Insiders are manipulating the system. Whether Tom Petters is convicted or acquitted will be far from the end of these behind-the-scenes stories. The victims are asking questions that deserve answers such as: Where did the money go? Who's getting rich now? Who's looking out for the victims? How can they get their money back?

**Tomorrow: How the Bernard Madoff Ponzi scam is being handled—and how the Petters scam isn't.**

FOR MORE INFORMATION VISIT

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 2

To ordinary taxpayers and small investors, the American economy can often seem like an impenetrable jungle or a foreign land. Outside of a federally insured bank, where is your money safe? What makes one investment company more trustworthy than another? Who is watching over them, and how carefully? And who watches over those people and organizations to make sure they are doing their jobs?

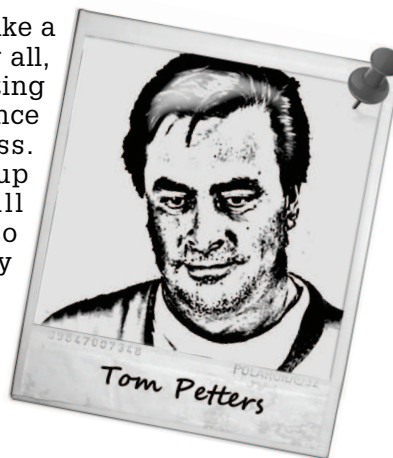
Petters Company, Inc. (PCI) looked like a safe bet for investors of all sizes. After all, Tom Petters ran the business—marketing bulk sales of consumer electronics—since 1988. On paper, it was a huge success. Plus, his other operation, Petters Group Worldwide (PGW), had acquired all sorts of brand names familiar to Minnesotans, like Fingerhut, Sun Country Airlines, and Polaroid.

However, we all found out how little in the investment world is safe in the fall of 2008. The economy tanked. Wall Street had to be saved with our tax dollars.

On Oct. 3rd, 2008 Tom Petters was arrested in Minnesota and charged with financial fraud. Petters allegedly operated a \$3.6 billion Ponzi scheme—the largest in history. But that record stood for only two months. Bernard Madoff's \$65 billion Ponzi pyramid collapsed in December 2008. Now the courts are sorting through both of those ruined financial empires.

A major bankruptcy affects thousands of people. Madoff's companies are represented by an attorney, naturally enough. Another person is the court-appointed receiver in charge of managing those businesses. Still another is the court-appointed trustee charged with protecting the business and personal assets Madoff had acquired, so that investors and creditors get a fair shake. Nothing unusual about that. That's how bankruptcies are supposed to work.

But somehow, in Minnesota, Petters' corporate attorney, the receiver, and the trustee are all the same person. His fees—plus those of all the other lawyers, accountants and consultants he hired in the case—are paid out of Petters' remaining assets. That attorney/receiver/trustee, Douglas A. Kelley, has said these professionals "are going 24-7." The Petters bankruptcy, Kelley said, "is going to take years." And that's not all it's going to take. So far, it's cost over \$20 million in fees and expenses. And the story only gets worse.



**Tomorrow: How Doug Kelley and a retinue of insiders took over the Petters case.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 3

Tom Petters was staying at the Bellagio gambling resort in Las Vegas when FBI agent Eileen Rice knocked on his door on September 24th, 2008. Back in the Twin Cities, agents were raiding Petters' business headquarters for evidence of a gigantic Ponzi scheme. Agent Rice knew that Petters' conversations had been secretly taped by a government informant. On the tapes, "Petters talks about fleeing the country and creating fabricated defenses if the fraud scheme is discovered," she said in a sworn statement.

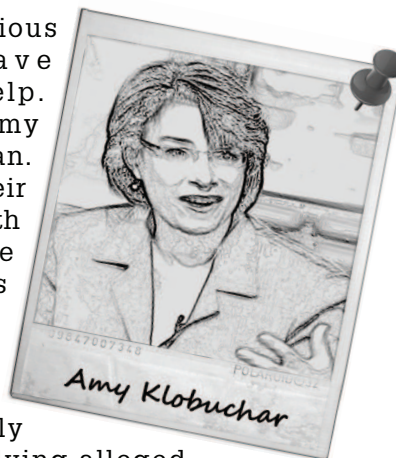
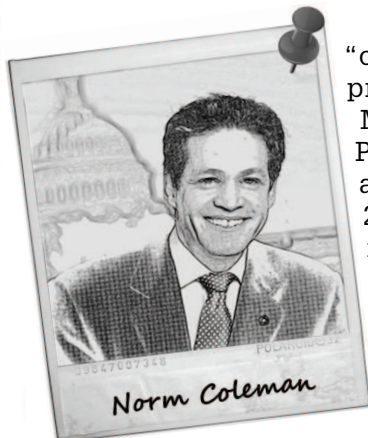
Petters knew he was in deep, serious trouble. He did what anybody would have done. He reached out to his friends for help. Petters' friends included Senator Amy Klobuchar and then-Senator Norm Coleman. He had been a major contributor to their campaigns. The two senators' offices both advised Petters to do the same thing—he should hire Minneapolis attorney Douglas Kelley.

Kelley, prominent in both legal and political circles here, would seem to be an obvious choice. He had personally represented Coleman in a case involving alleged financial irregularities. Also, he had represented Klobuchar's father in a DUI case. Petters took this advice and, just two days after the FBI raid, met with Kelley over lunch. Petters must have been aware that the federal government might seize all his assets in the fraud case. At this point, Petters retained Kelley as legal counsel to his companies.

On the next morning, a Saturday, Kelley went to Petters' home in Minnetonka, and on Sunday, they met at Petters Group Worldwide offices. The next day, Petters was emotional as he cleaned out his office and said goodbye to his staff, having turned over control of his companies to Kelley.

Over the next week, Kelley met frequently, "often several times a day," he has said, with prosecutors in the U.S. Attorney's office in Minnesota as the case was shaping up. As Petters' corporate counsel, Kelley also took another major step. On Sunday, October 5<sup>th</sup>, 2008, Kelley arranged for Petters to sign an irrevocable proxy transferring voting control over his companies to Steven E. Wolter — Kelley's law partner.

**Tomorrow: Kelley gains even more control over Petters' financial empire.**



FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 4

With Tom Petters' financial empire circling the drain, he reached out for his lifeline: attorney Douglas A. Kelley. Kelley was hired by Petters to represent his companies, and it wouldn't be an easy job. Petters was nearly bankrupt, and creditors were suing him in several states. Worse, the feds had raided his offices and were about to charge him with the largest fraud in Minnesota history.

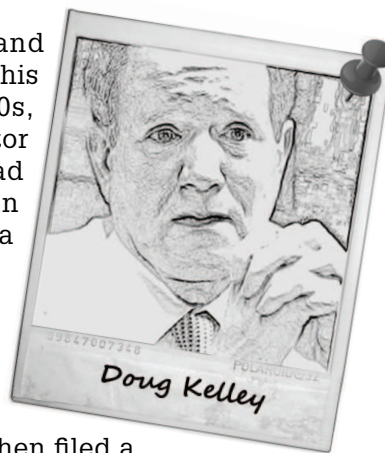
Kelley had plenty of connections and cards of his own to play. In Minnesota, his political ties ran deep. During the 1980s, Kelley was chief of staff for then-Senator David Durenberger. Kelley himself had run unsuccessfully for the Republican nomination in the 1990 Minnesota gubernatorial primary.

Within days, Kelly had arranged for his law partner, Steven Wolter, to receive an irrevocable proxy from Petters, giving Wolter voting control over all of Petters' companies. Kelley then filed a motion in federal court and had himself named receiver of Petters' businesses. (The receiver is the person responsible to the interests of the company, its employees, assets and, most importantly, its creditors.) With himself as the receiver, and his law partner holding voting control over the businesses, Kelley had obtained within a few weeks not only rare and remarkable command over Petters' properties - he had also gained unprecedented legal powers.

Multiple conflicts of interest result from Kelley's overlapping roles. For instance, how could a former corporate counsel for Petters' businesses, engaged by the owner of the companies, also serve as receiver representing the interests of creditors?

Kelley assured U.S. District Judge Ann D. Montgomery, who appointed him receiver, that he could and would remain impartial. She took his word for it. After all, they had known each other since law school.

**Tomorrow: Judge Montgomery continues to issue rulings in Doug Kelley's favor.**



FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

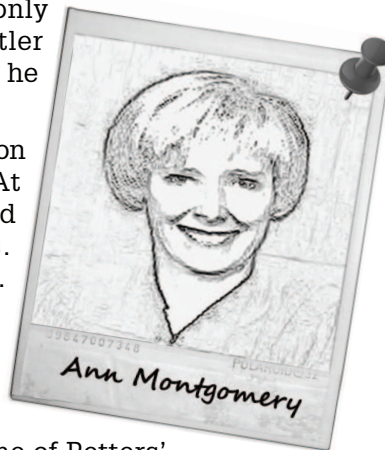
# Where's The Money?

Behind the Scenes of the Petters Scam: Part 5

Tom Petters' arrest on fraud charges in October 2008 was not his first encounter with the law. Back in 1990, he was charged in Colorado with forgery and fraud in a bad-checks case. Nobody would know about it, though, because Petters got a Minnesota court to erase his Colorado record. In 1994, the Hennepin County Attorney agreed to wipe the Colorado case off the books. As a result, investors checking into Petters' reputation and record couldn't find out about those fraud charges.

After that victory in Minnesota state court, Petters went on to win favorable rulings in federal court here. In 2002, Judge Ann Montgomery threw out a lawsuit that an investor, Richard Hettler, had filed against Petters. Not only that, but Montgomery later barred Hettler from filing any further suits over amounts he alleged Petters owed him.

In the fall of last year, Petters knocked on Montgomery's courthouse door again. At his side was Doug Kelley, a lawyer he had just hired to represent his companies. Kelley went way back with Montgomery. They had been law school classmates at the University of Minnesota. During the late '70s and early '80s, they worked together in the U.S. Attorney's office.



Montgomery was asked to freeze some of Petters' assets, the ones that were related to the alleged Ponzi scheme, and she did so on October 3<sup>rd</sup>, 2008, a Friday. Her court order was issued *ex parte*, meaning that the other side—Petters' creditors—were not given the opportunity to make their case against the asset freeze. On the following Monday, Montgomery gave Kelley sweeping powers as receiver over Petters' assets—all of them this time, not just the ones implicated in the Ponzi.

Meanwhile, numerous creditors were suing Petters in different states. Montgomery was asked to halt all those lawsuits in their tracks, which she did with an indefinite "stay on litigation." That wasn't all. She gave Kelley "judicial immunity," the same protection from lawsuits that judges enjoy.

As one national bankruptcy law expert has said, "To be given absolute immunity, judicial immunity, so far as I know, is unprecedented in the bankruptcy context."



**Monday: Minnesota handles the Petters Ponzi scheme one way; New York handles Bernard Madoff's another.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 6

The jury is still out in the Tom Petters fraud case, but Bernard Madoff already is serving the first year of his 150-year prison sentence. Both men were charged in the fall of 2008 with running multi-billion-dollar Ponzi schemes. While Petters pleaded not guilty in St. Paul, Madoff confessed to his crimes in New York. Court-appointed officials are well on their way to picking up the pieces of Madoff's collapsed financial empire.

Irving H. Picard is traveling the globe, searching for the billions of dollars that somehow vanished and recovering as much of Madoff's remaining assets as he can. A federal judge in New York appointed Picard as the bankruptcy trustee in the case. Picard is a partner in a law firm based in Cleveland and had nothing to do with Madoff.

Another federal judge in New York assigned Lee S. Richards as the receiver over Madoff's assets. Basically, the receiver is in charge of managing the bankrupt person's assets, while the trustee's job is to protect those assets. Richards is a New York lawyer, a financial securities expert who, like Picard, had nothing to do with Madoff.

What a different story it is in Minnesota. One lawyer, Douglas Kelley, was appointed as both the receiver and the trustee in the Petters case—and that was after he had provided legal advice to Petters' companies before Petters was arrested. Federal policies require that a receiver have expertise in the bankrupt entity's business, but Kelley by his own admission lacked *any* business experience or expertise.

Not only that, but a court-appointed receiver was already in place. A state court in Illinois had put a New Jersey-based management expert in the job, but Kelley prevailed on a federal judge to pull rank and take over the case. Once he was appointed receiver, Kelley went to a federal bankruptcy judge and got himself named trustee as well.

Madoff	Petters
(Defense Attorney) Sorkin	(Defense Attorney) Kelley
(Case Judge) Chin	(Case Judge) Montgomery
(Receiver) Richards	(Receiver) Kelley
(Trustee) Picard	(Trustee) Kelley

Madoff & Petters  
Case Comparison

**Tomorrow: How Kelley drove a court-appointed receiver, William Procida, out of town.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

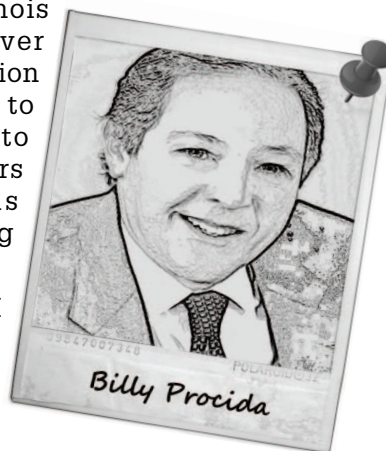
# Where's The Money?

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.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 8

Since Tom Petters' financial house of cards collapsed last year, his hundreds of millions of dollars worth of assets seem to have fallen into a black hole. Where is the money going?

Doug Kelley, the court-appointed receiver and trustee in the Petters bankruptcy cases—who also was an attorney for Petters' companies right before he was appointed receiver and trustee—pledged that he would operate “in the most transparent way.” Kelley has also said his law firm is “using employment lawyers, we’ve used bankruptcy lawyers, obviously, litigators, intellectual property lawyers-- you name it.” Kelley is employing multiple entities—no fewer than 41 at last count—to provide professional services to the various Petters companies in bankruptcy and receivership. So far, we know that lawyers and financial pros have collected at least \$18 million in fees.



But we don't know much more, because the bills are submitted to Judge Ann Montgomery *in camera*—a legal term that means “in secret.” With the court's approval, Kelley submits, to Judge Montgomery only, bills for himself and for other law firms, accountants and consultants, and after the judge reviews the bills, the court releases only a bare-bones summary. Many of these *in camera* bills are submitted months after the charges are already incurred.

So far, Kelley's own law firm has billed only for their work through last February. Meanwhile, his law partner, Steven Wolter, holds an irrevocable proxy over the voting rights in all of Petters' companies. Which means Wolter controls nearly all of Petters' corporate assets. Kelley—by his own admission, not a business person—has taken actions to date aiming at a quick sale of the Petters assets, often at fire-sale prices that mystify longtime business observers and valuation experts. For instance, Petters' residence in Manalapan, Florida, was sold for \$9.5 million. But after mortgages, taxes, and costs were paid, only \$107,000 was left.

At least Kelley and the various law firms are required to track their hours and fees. Houlihan Lokey, an investment bank based in Los Angeles, is working on the Petters bankruptcy on a flat-fee-with-no-time-sheet arrangement. The company had billed for \$1.7 million through May 9th. Houlihan Lokey was hired by Mary Jeffries, the CEO of Polaroid, by far the most valuable piece in Petters' business portfolio. And how did Mary Jeffries become CEO of Polaroid? Doug Kelley put her in the job.

**Tomorrow: How Kelley and Jeffries took over Polaroid.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**



# Where's The Money?

Behind the Scenes of the Petters Scam: Part 9

Back in the glory days of Tom Petters' financial colossus, Mary Jeffries and Deanna Coleman worked in offices next to each other at the Petters headquarters in Minnetonka. They enjoyed high executive positions and seven-figure annual bonuses. Last year, conscience got the better of Deanna Coleman and she went to the FBI to tell them about a gigantic Ponzi scheme run for many years out of Petters Company, Inc. (PCI). Jeffries was the chief operating officer of that firm in 2005 before becoming president of another company, Petters Group Worldwide (PGW), in 2006. How different the two women's stories have been since then. Coleman has pleaded guilty to fraud charges and is awaiting sentencing. Jeffries, though, was not charged with any crime. In fact, she took over—and sold—one of the best-known companies in America.

Over the past year, Jeffries has worked closely with Douglas Kelley, the court-appointed receiver and trustee over Petters' properties. Petters was arrested and charged with fraud on October 3<sup>rd</sup>, 2008. Kelley, in a whirlwind professional feat, took control of those properties in little more than a week. By October 11<sup>th</sup>, Kelley, as receiver, had put both PCI and PGW into bankruptcy... even though PGW was merely a holding company for Polaroid, the brightest jewel in the PGW necklace, and other functioning operating companies. There was no connection between PCI and PGW, other than that they were both ultimately owned by Petters. A couple of months later, Kelley filed bankruptcy for Polaroid itself. Petters had bought it in 2005 for \$426 million. Early last year, Petters maintained it was worth at least \$779 million, maybe as much as \$2 billion. He had named Jeffries its Chief Executive Officer (CEO).



When Kelley became receiver, he started firing many Petters aides, but let Jeffries remain CEO of Polaroid. The government was trying to "claw back" the bonuses Petters had paid his aides, but Kelley allowed Jeffries to keep hers. If that's not bad enough, Jeffries' lawyers' costs are also being covered out of Petters' remaining assets. As CEO, Jeffries signed the document that allowed Kelley to put Polaroid in bankruptcy. They then arranged to dump it in a quick fire sale last April for just \$88 million.

While it would be hard to find an independent business person who believes Polaroid was worth the \$2 billion Tom Petters thought it was worth, most experts believe the well-established Polaroid brand name itself would be worth hundreds of millions of dollars. So what was the big rush? April was nearing the bottom of the national recession. Wouldn't a savvy business person have waited for the economy to improve?



**Tomorrow: Federal agents first learned of Petters' alleged financial scams 10 years ago—but did nothing about them.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 10

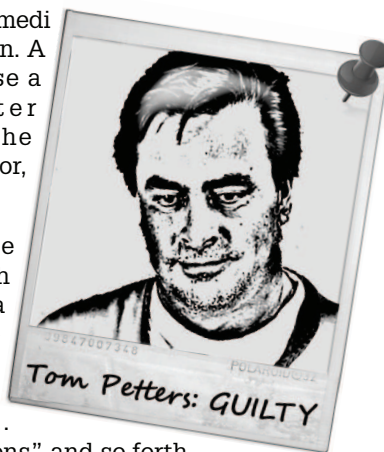
**CENSORED  
BY THE  
STAR TRIBUNE**

It was in September of last year that Deanna Coleman revealed to the FBI that her boss, Tom Petters, was running a huge scam. Within weeks, Petters was under arrest and his financial empire was in ruins. Looks like fast action by the authorities.

In fact, the feds first heard serious allegations about Petters' frauds 10 years ago. Maybe it's easy to say, in hindsight, that law enforcement officials should have been more on the ball and gone after Petters then. Or maybe, according to some people involved at the time, they really have no excuse.

Garrett M. Vail is a lawyer in Mahtomedi with a specialty in bankruptcy litigation. A local bank hired him in 1999 because a borrower had defaulted. After investigating, Vail decided that the debtor, along with an accomplice debtor, were fronts for Petters.

Vail scheduled Petters to make sworn statements, routine in such cases, but Petters didn't show up and a bankruptcy judge declined to make him do so. At that point, Vail says, "I contacted the FBI, going through these documents, showing the notes... the transfers and the misrepresentations" and so forth. Some of the investigators had little understanding of basic finance. "At the end of the four-hour interview the young FBI agent says to me, 'I got one question for you: What's a guarantee?'"



So Vail went to the newly elected Hennepin County Attorney, Amy Klobuchar, now a U.S. senator. Klobuchar already was looking into the cases of the two debtors in default. Klobuchar filed no charges against Petters, but put one of the debtors in jail as a swindler and a deadbeat dad.

That's hardly the end of law enforcement's contacts with Petters. One of the recently confessed felons who laundered money for Petters was taking government payments the whole time. Larry Reynolds, it turns out, is really named Larry Reservitz, a one-time mobster who was under the federal witness protection program. The feds had set Reynolds up with a new identity and a monthly stipend while he laundered billions of dollars for Petters under their noses.

**Tomorrow: Besides Deanna Coleman and Larry Reynolds, who else must have known what was really going on?**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM .COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 11

**CENSORED  
BY THE  
STAR TRIBUNE**

Perhaps federal investigators were embarrassed to learn that Larry Reynolds, a man in their witness protection program, had spent years helping Tom Petters defraud people of billions of dollars. Still another figure in the incredibly tangled Petters case might prove to be just as embarrassing.

When the feds raided Petters' home and offices in September of last year, they also raided the homes of Frank E. Vennes Jr. here and in Florida. Vennes, at one time a pawnbroker in North Dakota, allegedly had made more than \$28 million by luring investors into Petters' Ponzi scheme. While seven of Petters' associates have pleaded guilty to fraud charges, Vennes has not been charged with a crime. However, he is a defendant in a federal civil suit.

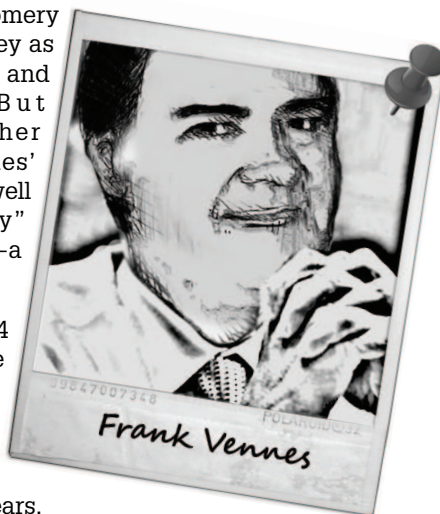
U.S. District Judge Ann Montgomery has named attorney Douglas Kelley as receiver over the assets of Petters and most of his associates. But Montgomery appointed another attorney, Gary Hansen, as Vennes' receiver. She granted Hansen, as well as Kelley, full "judicial immunity" against being sued in the job—a privilege rarely, if ever, granted.

Hansen has identified at least \$4 million in assets so far, impressive riches for an ex-con such as Vennes. He was convicted in 1987 of money laundering, firearms, and drug offenses.

Released from prison after three years, Vennes has filed appeals charging that undercover agents entrapped him. At their behest, he says, he delivered \$100,000 to Switzerland. The money disappeared—"lost or stolen," according to court documents. So then, Vennes says, a federal agent posed as a Mafia thug who threatened to dismember his children unless he got the money back.

One judge wrote a stinging dissent to a denial of Vennes' appeal. The "wondrously bizarre" affair would be "an embarrassing spectacle" for the government if Vennes were allowed to try his case, he said. "Embarrassing"? Sounds like the Petters case as a whole. Or maybe like... the Metro Gang Strike Force.

**Tomorrow: How the misdeeds of the Metro Gang Strike Force resemble the government's handling of the Petters case.**



FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 12

**CENSORED  
BY THE  
STAR TRIBUNE**

A gang in Minnesota accosted innocent people, seized money and cars, fenced property and destroyed evidence. They were not crooks, at least not the kind we usually think of. They were members of a select branch of law enforcement, the Metro Gang Strike Force. Two official investigative reports released this year accused the Strike Force of widespread wrongdoing. To date, none of the 34 Strike Force officers has been charged with a crime. The state investigations found that officers often took property seized during searches for their personal use, even if they didn't arrest anybody. Vehicles were grabbed and sold off; some just disappeared. Other seized property included cash, large-screen TVs, computers, jewelry, even a wood chipper, stump grinder and ice auger.

Police in Minnesota legally can take and keep money and property used in connection with certain crimes. The seized items are "forfeited" to the government. The fact is, both state and federal asset forfeiture laws give the government powers to seize property without charging anyone with a crime . . . and then to keep it without ever having to prove a case.



The original idea was to take over the yachts and mansions and other ill-gotten gains of drug dealers before they could dump them. Over the years, forfeiture powers have been broadly expanded. Law enforcement agencies can use forfeited money to finance their own operations. In these tough economic times, with tax revenues falling and budgets tightening, forfeiture actions are happening more often.

It's little wonder, then, that the U.S. Justice Department is taking an interest in the Tom Petters bankruptcy. Petters ran a multi-billion-dollar Ponzi fraud out of Petters Company Incorporated (PCI). PCI was broke, just a shell, but Petters still held personal and corporate assets worth hundreds of millions of dollars. Much of it was in a holding company called Petters Group Worldwide (PGW).

Much of the PGW wealth already is being consumed by lawyers. If the government seizes the remaining assets, will anything be left for Petters' victims and creditors?



**Monday: Why a federal prosecutor called PGW's lawyer before Petters was even arrested.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 13

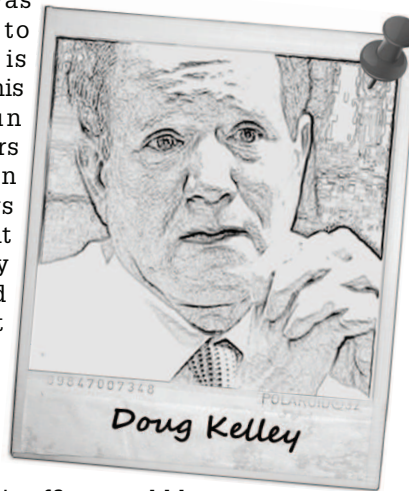
**CENSORED  
BY THE  
STAR TRIBUNE**

A federal prosecutor called Twin Cities lawyer Douglas Kelley on a Saturday morning to make a threat and give him a deadline. The government would seize all of swindler Tom Petters' property, the man said, unless Kelley could assure him that Kelley himself would take control of those assets. The U.S. Attorney's office better hear back from Kelley by the end of the day—or else. The funny thing was, Kelley was not even Petters' lawyer at the time. Nor had Petters been charged with a crime. The FBI had raided Petters' offices just three days before, on September 24<sup>th</sup>, 2008. But the U.S. Attorney's office already had heard that Kelley would be representing Petters' companies.

This series has been asking, "Where's the Money?" The government asked that question from the start. The U.S. Attorney then was Frank Magill, appointed by President George W. Bush.

Soon after getting that Saturday morning phone call, Kelley sped to Petters' home in Minnetonka. FBI agents were just starting to sift through all the papers they had taken in the Petters raid, but a ring of professionals was already collaborating to control Petters' wealth.

The U.S. Attorney's Office was worried that Petters might try to dump or conceal—the legal term is "dissipate"—his assets, especially his ownership of Polaroid and Sun Country Airlines. Kelley told Petters that the feds would hold off on seizing those companies if Petters would give up control of them right away. Petters did so by Monday morning. The U.S. Attorney and Kelley then signed an agreement that Kelley would take over Petters' assets. They took it to a federal judge, who quickly approved it. At the time, Magill was building a case against Petters for criminal fraud. It might seem strange that his office would be so involved in how the civil courts might divvy up Petters' remaining assets.



Even stranger things happened. Despite his apparent conflict of interest, after Kelley was retained by Petters to be his corporate attorney he became the court-appointed manager of Petters' companies. And Petters' legitimate companies were now at risk of becoming conflated with his fake ones. If that were to occur, it would determine what became of hundreds of millions of dollars.



**Tomorrow: The forced marriage between Petters' fake companies and his real ones.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM .COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 14

**CENSORED  
BY THE  
STAR TRIBUNE**

Suppose you have to file for personal bankruptcy. Since you leased your car, you expect it to go back to the lender. Instead, your lawyer sells it at auction, keeps some of the money and gives the rest to the federal government. The lender who owned the car? He's out of luck.

That is pretty much what is happening in the multi-million-dollar Petters corporate bankruptcy case. Petters' criminal trial may have been front page news, but the bankruptcy case has received little scrutiny. Meanwhile, lawyers and other professionals are draining Petters' funds for their extravagant fees. If anything is left over, the government is poised to take it under asset forfeiture law.

Ordinary people who had the bad luck to trust Petters with their money, as well as companies that made secured loans to Petters — they're like that car lender. Their money and property somehow are vanishing.

Petters was convicted in a criminal case that guaranteed him every constitutional right, all due process of law. But Petters' victims and creditors are being denied due process. So far, this series has revealed that:

- A single lawyer was given three hats to wear as a one-time lawyer for Petters' companies, the court-appointed manager of Petters' remaining assets, and the court-appointed trustee who is supposed to protect those assets. Lawyers for Petters' victims and creditors were not given the opportunity to contest these appointments as a result of secret *ex parte* hearings conducted by a federal judge.
- That lawyer, Douglas Kelley, was granted the same privileges a judge enjoys (judicial immunity) — he can't be sued
- Not only that, but Kelley's own law partner was given permanent voting rights over Petters' companies.
- A bankruptcy court's ruling permitted Petters' most valuable asset, Polaroid, to be sold at a quick fire-sale price — for a fraction of what it was worth.
- Lawyers for Petters' victims and creditors have not been permitted to question Kelley under oath about his apparent conflicts of interest or his fire-sale practices.

The Metro Gang Strike Force's shocking abuses of power, first revealed last spring, are now back in the headlines. A ring of professionals are abusing their powers and denying due process, the same way as the Strike Force, in the Petters bankruptcy case.



**Tomorrow: The system is broken — how can we fix it?**

FOR MORE INFORMATION VISIT:

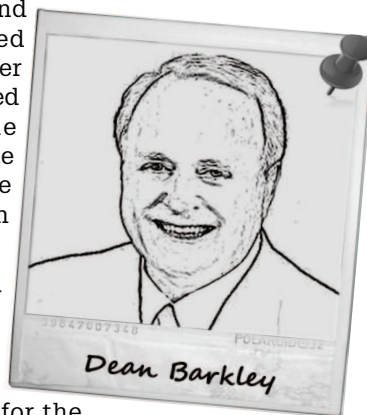
**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 15

**CENSORED  
BY THE  
STAR TRIBUNE**

The Stop the Petters Scam Foundation, the sponsor of this series of ads revealing behind-the-scenes maneuvers in the Tom Petters criminal and bankruptcy cases, is expanding its efforts to secure justice for Petters' victims and creditors. Our efforts were interrupted when the Minneapolis Star Tribune, after printing nine of the ads, abruptly refused to publish the six remaining in the planned series. We now are running the ads in the Pioneer Press. Meanwhile, we have retained former U.S. Senator Dean Barkley as our general counsel.



"We saw justice done when a jury convicted Tom Petters of cheating people out of billions of dollars," Barkley says. "Unfortunately, it isn't clear at all that justice is being done for the many victims and creditors who are looking to get at least some of their money back." He will continue the Foundation's review of its legal options following the Star Tribune's sudden decision to yank the political advocacy ads.

Barkley is well known to Minnesotans as the chairman of the independent campaign that put Jesse Ventura in the governor's office in 1998. Barkley also completed the Senate term of the late Paul Wellstone and then ran for a Senate seat as an independent in 2008.

The Stop the Petters Scam Foundation was founded by attorney Garrett Vail, who has been hot on Petters' trail since 1999 when he first approached law enforcement officials with evidence of Petters' frauds. Vail also announced that the Foundation has acquired a helping hand in its grassroots campaign for victims' and creditors' rights. Citizens Against Unjust Seizures, Inc. (CAUS), based in the Washington, D.C. area, is a new public interest group fighting governmental abuses of its asset-forfeiture powers in criminal and bankruptcy cases. CAUS has named Gary Nordlinger as its executive director. As a public affairs consultant, Nordlinger has provided political and communications strategy for hundreds of public officials, associations, labor unions, and corporations in twenty-eight countries on six continents.

On still another front, independent filmmaker Ryan Frost has produced *The Second Fraud*, a documentary about how Petters' Ponzi scheme was followed by the efforts of a ring of professionals to loot Petters' remaining assets. *The Second Fraud* will be screened in the Twin Cities soon — watch for show times and venues.

**Tomorrow: As citizens organize to fight forfeiture and bankruptcy scams, which public officials will stand up for victims' rights?**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**

# Where's The Money?

Behind the Scenes of the Petters Scam: Part 16

**CENSORED  
BY THE  
STAR TRIBUNE**

*In this country, ordinary people believe if they work hard, they can build a house, start a business, or improve their community. Because this country was founded on the rule of law, these people have the right to expect business and government leaders to provide them with honest guidance along the way. Therefore, when business leaders and government officials misuse their positions or misspend consumer or taxpayer dollars, they tear at the fabric of our economic system as well as our democratic process.*

These words are those of the U.S. Attorney for Minnesota, posted on his web site under the heading, "Economic Crime." This series of ads by the Stop the Petters Scam Foundation has described just such an "economic crime" carried out by a ring of professionals who took control of Tom Petters' properties for their own benefit. The convicted swindler's assets are worth hundreds of millions of dollars. "Ordinary people" who trusted Petters with their money, along with corporations that lent money to Petters, are being denied their rights to recover some of what they lost.

It was in the fall of 2008 that most of the arrangements for this economic crime were made. The legal system seemed to hand out privileges to a favored few like candy. The U.S. Attorney's office here consented to those privileges. However, a new U.S. Attorney took office three months ago. His office has the power to seek to restore Petters' victims and creditors their rights.

At the very least, the courts should appoint a new manager over Petters' assets who has no obvious and glaring conflicts of interest — no previous connections to Petters' financial empire. If you agree that an economic crime is being committed, contact U.S. Attorney B. Todd Jones at 612-664-5600.



Meanwhile, the stories of ordinary people who were victimized by Petters — and then victimized again by legal proceedings — are not being told. We ask Minnesota's U.S. Senators to convene public hearings to put these stories on the record. Congress must pass laws to prevent the outrageous abuses of power seen in financial fraud and bankruptcy cases, not just in Minnesota but across the country. Senator Amy Klobuchar's Twin Cities office number is 612-727-5220. Senator Al Franken's is 651-221-1016.

**Tomorrow: The Tom Petters saga generates a book and a movie.**

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM . COM**



# Where's The Money?

Behind the Scenes of the Petters Scam: Part 17

**CENSORED  
BY THE  
STAR TRIBUNE**

The Stop the Petters Scam Foundation has prepared a lawsuit against the Minneapolis Star Tribune for breach of contract because the newspaper abruptly refused to keep publishing this series of ads, after running nine of them. Unless the Star Tribune can offer another explanation, it seems obvious that some powerful people intimidated the newspaper's executives. What were they afraid of? Who might those powerful people be? If you think you might know, please contact our attorney, former U.S. Senator Dean M. Barkley, or attorney Phil Villaume, at 952-851-9500.

In fact, the actions of a powerful ring of insiders in the Tom Petters affair have attracted national attention. Ryan Frost, an independent filmmaker in Manassas, Virginia, has spent eleven months producing *The Second Fraud*, a documentary about the handling of the Petters case. While the feature-length film will be submitted to film festivals, a shorter, one-hour version will be screened in the Twin Cities soon.



Both the film and these ads have carefully avoided using anonymous sources. All statements of fact have been based on public records or on-the-record interviews. The ads were written by James L. Merriner, a Chicago-based author of five books about political corruption and reform. Merriner's *Mr. Chairman*, a biography of former Congressman Dan Rostenkowski, and *Grafters and Goo Goos*, a history of corruption and reform in Chicago, have been adopted as texts in some college courses.



Citizens Against Unjust Seizures (CAUS) is a newly founded public-interest group based in the Washington, D.C. area. CAUS plans to commission Merriner to write a book about the corruption of power in white-collar prosecutions and property seizures, focusing on the Petters case.

Meanwhile, the Stop the Petters Scam Foundation is stepping up its efforts to attain justice for Petters' victims and creditors. We invite you to urge your public officials to correct the documented abuses of power that occurred in the aftermath of Tom Petters' arrest in October 2008:

- United States Attorney B. Todd Jones, 612-664-5600
- Senator Amy Klobuchar, 612-727-5220
- Senator Al Franken, 651-221-1016

If these public officials don't stand up for the rights of victims and creditors, who will?

FOR MORE INFORMATION VISIT:

**STOP THE PETTERS SCAM .COM**