

Where's The Money?

Behind the Scenes of the Petters Scam: Part 11

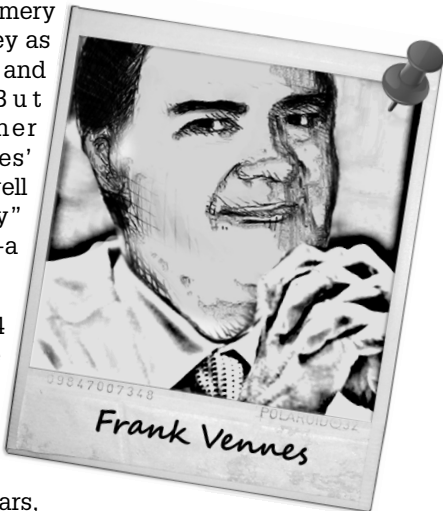
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STAR TRIBUNE**

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.

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