

Where's The Money?

Behind the Scenes of the Petters Scam: Part 13

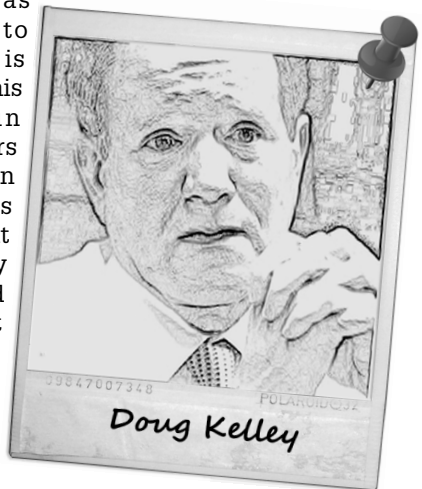
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A federal prosecutor called Twin Cities lawyer Douglas Kelley on a Saturday morning to make a threat and give him a deadline. The government would seize all of swindler Tom Petters' property, the man said, unless Kelley could assure him that Kelley 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 24th, 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.

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