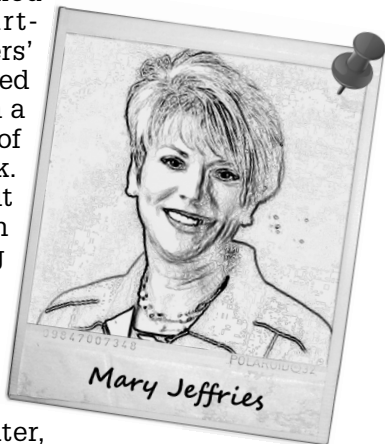


Where's The Money?

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 3rd, 2008. Kelley, in a whirlwind professional feat, took control of those properties in little more than a week. By October 11th, 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.

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