

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...

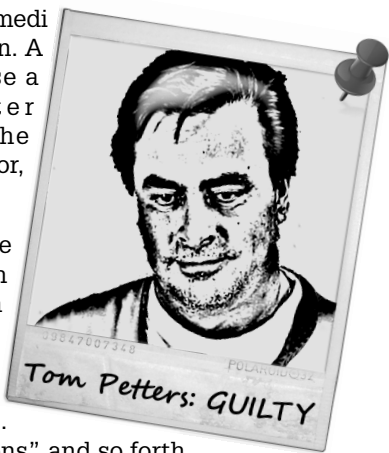
the transfers and the misrepresentations" and so forth.

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?



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