

Where's The Money?

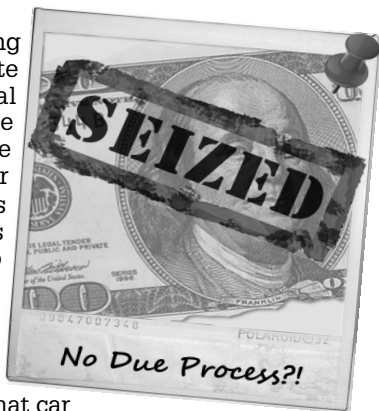
Behind the Scenes of the Petters Scam: Part 14

**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?

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