

Where's The Money?

Behind the Scenes of the Petters Scam: Part 3

Tom Petters was staying at the Bellagio gambling resort in Las Vegas when FBI agent Eileen Rice knocked on his door on September 24th, 2008. Back in the Twin Cities, agents were raiding Petters' business headquarters for evidence of a gigantic Ponzi scheme. Agent Rice knew that Petters' conversations had been secretly taped by a government informant. On the tapes, "Petters talks about fleeing the country and creating fabricated defenses if the fraud scheme is discovered," she said in a sworn statement.

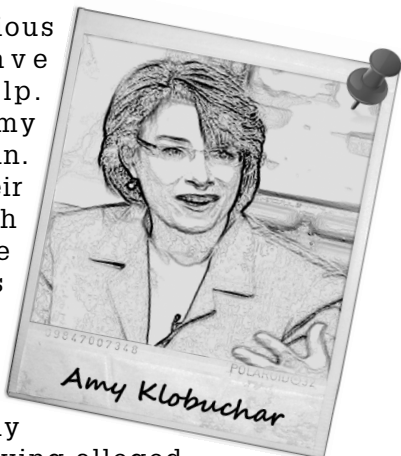
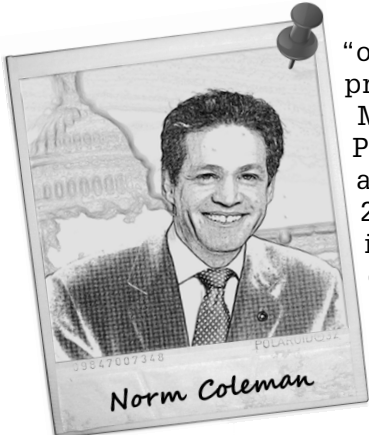
Petters knew he was in deep, serious trouble. He did what anybody would have done. He reached out to his friends for help. Petters' friends included Senator Amy Klobuchar and then-Senator Norm Coleman. He had been a major contributor to their campaigns. The two senators' offices both advised Petters to do the same thing—he should hire Minneapolis attorney Douglas Kelley.

Kelley, prominent in both legal and political circles here, would seem to be an obvious choice. He had personally represented Coleman in a case involving alleged financial irregularities. Also, he had represented Klobuchar's father in a DUI case. Petters took this advice and, just two days after the FBI raid, met with Kelley over lunch. Petters must have been aware that the federal government might seize all his assets in the fraud case. At this point, Petters retained Kelley as legal counsel to his companies.

On the next morning, a Saturday, Kelley went to Petters' home in Minnetonka, and on Sunday, they met at Petters Group Worldwide offices. The next day, Petters was emotional as he cleaned out his office and said goodbye to his staff, having turned over control of his companies to Kelley.

Over the next week, Kelley met frequently, "often several times a day," he has said, with prosecutors in the U.S. Attorney's office in Minnesota as the case was shaping up. As Petters' corporate counsel, Kelley also took another major step. On Sunday, October 5th, 2008, Kelley arranged for Petters to sign an irrevocable proxy transferring voting control over his companies to Steven E. Wolter — Kelley's law partner.

Tomorrow: Kelley gains even more control over Petters' financial empire.



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