

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
Civil No. 08-5348 (ADM/JSM)

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
1. THOMAS JOSEPH PETTERS;)
PETTERS COMPANY, INC., aka)
PCI; PETTERS GROUP WORLDWIDE, LLC;)
2. DEANNA COLEMAN, aka DEANNA MUNSON;)
3. ROBERT WHITE;)
4. JAMES WEHMHOFF;)
5. LARRY REYNOLDS, dba)
NATIONWIDE INTERNATIONAL RESOURCES)
aka NIR;)
6. MICHAEL CATAIN, dba)
ENCHANTED FAMILY BUYING COMPANY;)
7. FRANK E. VENNES JR., dba)
METRO GEM FINANCE,)
METRO GEM INC.,)
GRACE OFFERINGS OF FLORIDA LLC,)
METRO PROPERTY FINANCING, LLC,)
38 E. ROBINSON, LLC,)
55 E. PINE, LLC,)
ORLANDO RENTAL POOL, LLC,)
100 PINE STREET PROPERTY, LLC,)
ORANGE STREET TOWNER, LLC,)
CORNERSTONE RENTAL POOL, LLC,)
2 SOUTH ORANGE AVENUE, LLC,)
HOPE COMMONS, LLC,)
METRO GOLD, INC.;)
Defendants.)
)
DOUGLAS A. KELLEY,)
Receiver,)
)
GARY HANSEN,)
Receiver.)

EIGHTEENTH STATUS REPORT OF RECEIVER DOUGLAS A. KELLEY

Douglas A. Kelley, the Receiver for all defendants except Frank E. Vennes, Jr. and his entities, submits this report summarizing major activities undertaken since his last report.

A. INDIVIDUAL DEFENDANTS

1. Tom Petters

a. Receivership Account

Balance on July 26, 2011	\$327,618.67
Deposits during period	80,408.00
Expenses paid during period	<u>(88,395.01)</u>
Balance on September 26, 2011	\$319,631.66

b. Receivership Activity

An undeveloped lot on Lake Superior remains listed for sale at an asking price of \$269,000. There has been no buyer interest during this reporting period and the parcel is listed on a preliminary order of forfeiture obtained by the Government.

The Receiver continues to pay asset-preservation and other expenses as authorized by the Court, including health insurance premiums for two minor children.

The Receiver is working with the Government to determine a plan to market the artwork and sports memorabilia that remain part of the receivership estate.

2. Deanna Coleman

a. Receivership Account

As previously reported, the U.S. Department of Justice seized the Receivership account. Thus, the account has been closed.

b. Receivership Activity

The Receiver continues to work with the Government to develop a plan to liquidate Ms. Coleman's remaining personal assets, including stocks and jewelry.

3. Robert White

a. Receivership Account

As previously reported, the U.S. Department of Justice seized the Receivership account. Thus, the account has been closed.

b. Receivership Activity

The Receiver continues to work with the Government to develop a plan for liquidating Mr. White's remaining assets, including stock holdings.

4. James Wehmhoff

a. Receivership Account

Balance on July 26, 2011	\$1,559,409.68
Deposits during period	527.71
Expenses paid during period	<u>(16,454.36)</u>
Balance on September 26, 2011	\$1,543,483.03

b. Receivership Activity

The Receiver's team continues to oversee the preservation of Mr. Wehmhoff's remaining assets and is working to resolve outstanding claims asserted by state and federal tax authorities against Mr. Wehmhoff.

5. Michael Catain

a. Receivership Account

Balance on August 1, 2011	\$1,482,838.88
Deposits during period	2,392.65
Expenses paid during period	<u>(14,998.81)</u>
Balance on September 26, 2011	\$1,471,754.94

b. Receivership Activity

The Receiver also continues to collect monthly payments under a contract for deed regarding an Arizona home owned by Mr. Catain.

6. Larry Reynolds

a. Receivership Account

As previously reported, the U.S. Department of Justice seized the Receivership account. Thus, the account has been closed.

b. Receivership Activity

The Government has taken possession of all of Mr. Reynolds' remaining property pursuant to its asset forfeiture.

B. ACTIVITIES OF PROFESSIONALS RETAINED BY RECEIVER

1. Lindquist & Venum

Lindquist & Venum devoted substantial attention to the following matters on behalf of the Receiver in the past 60 days:

a. Claims against Charitable, Educational and Religious Organizations and Investors. Continued working with the Receiver to negotiate settlements or pursue litigation to recover funds from recipients of the Ponzi funds or other avoidable transfers.

b. Claims against Employees. Worked with the Receiver to negotiate settlements or commence litigation to recover funds from employee recipients of Ponzi funds or other avoidable transfers (including maximizing insurance recovery for same).

c. Intellectual Property. Continued research, analysis, and advice to the Receiver regarding options for maintenance, prosecution and potential liquidation of intellectual property assets related to SpringWorks and Symmorphix.

d. General Corporate. Advised Receiver and worked extensively with legal counsel to Fingerhut Direct Marketing, Inc. (now known as Bluestem Brands, Inc.) concerning a potential initial public offering of Bluestem stock and negotiated the terms of documents related to such an IPO.

e. Tax and Forfeiture Issues. Filed a motion on behalf of the Receiver for orders to show cause directed to the IRS and Minnesota Department of Revenue (MNDOR) regarding tax assessments, potential liability for taxes and forfeiture proceedings. Orders directed to the IRS and MNDOR were issued by the Court. Substantial negotiations with the Department of Justice, Tax Division; the United States Attorney's Office for the District of Minnesota; and MNDOR have ensued. A hearing is set on the matter before the Court on October 12, 2011.

2. PricewaterhouseCoopers (PwC)

PwC provided the following services to the Receiver during the period covered by this report:

a. Tracing Sources and Use of Funds. Lent support and gathered appropriate documentation for clawback claims, which are currently in litigation, mediation or subject to potential suit.

b. Tax Compliance Services. Offered ongoing assistance regarding the Receiver's potential tax liability for taxes resulting from the Ponzi scheme. PwC prepared 2010 business entity tax returns for timely filing and is preparing returns for individuals and foundations, which are due on October 15 and November 15, respectively.

3. Tonya Rosso

Tonya Rosso provided the following services to the Receiver during the period covered by this report:

a. Maintained books and records for individual receivership defendants. Ms. Rosso prepared records of all cash payments and receipts for Thomas Petters, Michael Catain and James Wehmhoff.

b. Tax Record Preparation. Compiled and summarized source documents for preparing individual tax returns for Michael Catain, Deanna Coleman, Thomas Petters, Larry Reynolds, James Wehmhoff and Robert White.

Respectfully submitted,

KELLEY, WOLTER & SCOTT, P.A.

Dated: September 30, 2011

s/Steven E. Wolter
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