

09/09/08 12:16pm  
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Tom  
Petters: Hello.

Deanna  
Coleman: Hi.

Petters: Hi. Come on in. Can I help you?

Coleman: We just gonna talk to you about Palm Beach (UI).

Petters: I'm talking to Thane Ritchie (UI).

Petters: Hello, yeah. Yeah I'll go talk to Baer. You know what don't, don't worry about it (UI).

Coleman: Is this for you Jim?

Jim  
Wehmhoff: Well I don't think he's coming.

Petters: I bet. Okay. Alright. Okay thank, thanks. Bye-Bye.

Petters: Okay now what monkey?

Bob  
White: How are we doing?

Petters: Fine. Ah I mean I'm just constantly fighting wars all day long. Trying to stay alive. What, you obviously have something that we can't solve, so what is it?

Wehmhoff: Well it's the Sabes audit or the a Palm Beach auditors are coming up here tomorrow.

Petters: Yeah you told me that yesterday.

Wehmhoff: Well no they was coming on Thursday. Now they're coming tomorrow.

Petters: (UI) Thursday better than tomorrow (UI)?

Wehmhoff: No.

Petters: No, what?

Wehmhoff: No, it's not better but, um, I just don't know what to give 'em, what to tell 'em.

Petters: Right.

Wehmhoff: Right now they're a. Frank came in my office on the way out because, did he meet with you this morning.

Petters: Yeah (UI).

Wehmhoff: (UI) they came over and they said that the a the auditors are completely panicking and are coming up here tomorrow.

Petters: Completely panicking. I thought they were calmed down.

Wehmhoff: Well they were.

Petters: And then what happened?

Wehmhoff: Well we couldn't have a conference call with 'em this morning at 9.

Petters: Right. Well Deanna tell Jim that.

Coleman: No, we talked about it now right now.

Petters: Oh that's why.

Petters: I went into Deanna's office and said that the Gottex call and the other call at 9 and that's why they're panic stricken and I'm sure that made 'em more panic stricken because you did not call and Gottex wasn't there. So that's why when I came in your office (UI) meeting and so call Jim and tell him and I'm not saying that you could or couldn't have had the call but we should, when we don't call at all.

Wehmhoff: Well I talked, I talked to 'em at 9 o'clock.

Coleman: But you should tell Tom what Frank told you or what Palm Beach told you.

Wehmhoff: Um, yeah, I talked to 'em at 9 o'clock. Told 'em that the Gottex auditors were in here and that she would be available this afternoon.

Petters: But I went in after that.

Wehmhoff: I didn't know that.

Petters: I know.

Wehmhoff: So then he asked, started to ask me questions about the invoicing and the billing and I said I can't really answer those. Maybe Sandy can, who does the bookkeeping so I went to get Sandy. Sandy was at a doctor's appointment. I went back to him. I said she won't be in until 10:30, 11 o'clock. She got in at quarter to 11. I called him and I said she's available. Well then he never called me back.

Petters: Right.

Wehmhoff: No, never, the auditor. So I said, ah, then, Frank came in after he met with you along with this Bruce and David and said that the auditors are completely panicky. They um, are suspect that this is a complete fraud and they're coming up here tomorrow.

Petters: They suspect this is a complete fraud? Did he tell you that with Bruce and Dave there?

Wehmhoff: Yeah. Yeah. In fact, it was Bruce that said it, not Frank.

Petters: Did he say why? Well.

Coleman: What did you tell Debbie? You said something to Debbie about Ritchie Capital paying for the purchase orders, that we needed to write something up or do something?

Petters: Note's due tomorrow. Asked me if we could write up some collateral and I said the only way we can do it is if we have more, we have some more collateral from Ritchie Capital and so we did yesterday and I said a there was only so much of that left and I said we have 60 million and I said we had 60 million.

Coleman: In collateral?

Petters: Yeah I said only it would have been paid for with Ritchie Capital. (UI).

Coleman: When were those done? Did you tell him?

Petters: What?

Coleman: Did you tell him when those purchase orders were done or what the purchase orders were or anything?

Petters: No. I said, um. (UI). So was this Bruce upset?

Wehmhoff: Not at all.

Petters: He didn't seem upset (UI). Well the reason I came out of the meeting is I promised him (UI). Hey, how you doing? Um, I was just talking with Jim. He said the auditors suspect this thing is a complete fraud?

Frank

Vennes: (UI) a week and a half.

Petters: They what?

Vennes: (UI). Pardon?

Petters: I'm sorry I didn't hear you. You said what?

Vennes: (UI) to come up here for a week and a half and they have these conference calls scheduled for today. They got canceled. There was no call back, nothing or whatever and then, um, on my way out I asked Jim. I said Jim is there any chance that that can be rescheduled and he said yeah I put a call into. Ya know he had to call me back to try to reschedule and then I said Jim is there, ya know, anything we can do because these guys, you know, they're in fear right now. There's auditors over there and, um, both of 'em got on the phone first, ya know, and they were, you know, in panic mode and I said, um, what can we do Jim and he said well not really much I can do because I don't do the day-to-day operations (UI). The person you need to talk to is Deanna. So I said okay so I put in a call into Deanna and I said Deanna, um, you know, it's real important that these auditors, you know, I know it's not nice, it's invasive or whatever but the problem is that they're key to the fund, ya know, and if they walk away from PBFP saying we're no longer gonna do their stuff. And then what ends up happening is.

Petters: Right.

Vennes: Um, the fund has to go onto suspension and then the whole lawsuits start flying and I said we don't wanna deal with lawyers so we've gotta try to accommodate these people to keep 'em, keep 'em going and that means

if they come tomorrow somebody has to be a point person here to accommodate 'em. They can't come and then somebody, ya know, can't get through or somebody's that or any of that....

Petters: Right.

Vennes: ....(UI) so what can we do, ya know?

Petters: Yeah. So.

Vennes: Or I don't know. I'm not, (UI) they wanted to talk to Tom. I said, okay, I'm gonna see him in a couple hours anyway so maybe we can figure it out.

Petters: Okay so, ah, I, I. I guess the message didn't get from Deanna to Jim about make the call.

Vennes: Ah, well Jim.

Petters: I mean.

Vennes: (UI) asked them to call them back.

Petters: No, I know, I know.

Vennes: (UI).

Petters: I'm saying that when Dave asked me to leave the room to tell 'em that Gottex was canceled.

Wehmhoff: Oh.

Petters: (UI) so Deanna. But anyway I, I, I a I just wanted to see if the auditors told Dave that they think this is a complete fraud, if they do.

Vennes: Well I'll, I'll tell you if they received the call....

Petters: Yeah.

Vennes: ....and those words started to come into play and I said listen wait a minute, wait, wait, wait, wait, stop, stop, stop, you know, and all this stuff.

Petters: Yeah.

Vennes: And, um, so, you know, they're, they're in a panic and,

you know, we're just trying to calm 'em down and say wait a minute, you know, we'll get through whatever but they're, they're in a situation where they don't, ya know, wanna get strung out over a long period of time because they can't.

Petters: Yes. Well let me. Okay let me go (UI) and I'll call you right back okay?

Vennes: Okay. Thanks.

Petters: Yeah, bye-bye. Well let me tell you what. When you and I talked to him about them coming up, not withstanding today, (UI) that made 'em more nervous and they wanted to talk this morning because that meeting's this afternoon and when they heard Gottex was canceled. And I know, I know you called me at the time, and I'm not (UI). Ah, so I'm sure they're nervous anyway, right, you said that.

Wehmhoff: Yeah I, I didn't know they knew that Gottex was canceled.

Petters: Yeah well that's why I went and told Deanna to call you and I'm not saying, I'm saying when I said that I left the meeting because Dave (UI). I should have called you myself. If you don't know, you can't call them. (UI) So Deanna is there, you didn't, did you not wanna tell Jim or what?

Coleman: No, Tom, I had other things cuz I, I guess it just slipped.

Petters: So what do they wanna see when they come here? (UI)

Wehmhoff: I suspect what they're gonna ask, wanna see the individual files on the deals.

Petters: The individual files on the deals. Do we have those?

Wehmhoff: Do we have them?

Coleman: We have exactly what they have.

Petters: So we have individual files on the deals?

Coleman: Individual notes. It's the note that has the P.O.

attached to it. Exactly what they have. They're probably gonna wanna see the invoice, the bill of lading, the wire confirmations. And no we don't have those and we won't have 'em.

Petters: Well I was making tremendous progress with them this morning. My meetings were all positive even when they called the auditors. This Henry's coming in from Fortress to meet them at the hangar at 2:15 today which I think is a Godsend that they're gonna get a backstop. They did say if we could just calm the auditors and in talking to Henry today will help calm the auditors and, and, um, and when I was under the impression when you and I were talking yesterday I didn't talk about this with them at all but like any conversations with you or anyone. Ya know. I was just under the impression that, um, what we had would be pretty much okay (UI). When we had that conversation (UI) Thursday or I, whatever day they came, on Wednesday.

Wehmhoff: Thursday.

Petters: And I, you know what I mean? We were talking about if they came up. You and I were talking about it on Monday. Anyway we're not okay so. So what should we do?

White: What, what will Henry say to the auditors?

Petters: (UI) He said that he can make sure that the payments are made (UI) slow pay mode. Fortress will write a letter that will then guarantee the payments will happen then on the next 30 to 45 days. And then Fortress would start to buy out their funds. As we get funds in and I got Thane Ritchie (UI).

Petters: What? Hey, John. Have you been waiting down there?

John: (UI) I gotta run. So, ah.

Petters: Sorry.

John: That's alright. Um. (UI).

White: I think that one thing that has to be said to the auditors is you were under the impression that Gottex was here and thought Deanna was in on it. I mean, we could. Is that a. I don't know.

Coleman: I don't think that's really any part to do with this.

Petters: I know.

Coleman: And it's just an excuse.

White: Yeah I understand that but I was just trying to.

Coleman: I mean they got a phone call I don't, you know.

White: Yeah.

Coleman: I'm not gonna sit in there tomorrow and go through this. The question after question when it's all B.S. Either Tom can sit in there or someone else can sit in there. I'm not gonna do it, I'm sorry. I don't know who that guy is. I don't know if he's from Polaroid or he's with the (UI).

White: I have no idea. I've never seen him before.

Coleman: He met with Mary yesterday.

White: (UI).

Coleman: I have no clue.

Wehmhoff: I wonder if that's the guy who they were interviewing for Operations Manager for (UI).

Coleman: Oh really? Well that could be.

Wehmhoff: I don't know for sure. Well I don't know what we're gonna do if we don't have that information.

White: Well what if. It is not possible to come up with that much in, that much stuff. I mean, I think it. They're gonna say what about this? Let me look at the documents for this one or this one and you can say for the bill of ladings they're all with, um, Larry or something and stall for that but they're gonna wanna see wire confirmations which is simply they're, they're gonna say let's, let me look at the bank statements. They're not going to a. How large is the Greg's fund?

Coleman: How what?

White: How large is Greg's fund?

Coleman: With Palm Beach? About a

White: A billion five?

Coleman: About a billion two.

Petters: Anybody spoke a word since I left?

Wehmhoff: Oh yeah. Yeah.

Petters: Well I don't know what they all need but I, apparently there's gonna be a lot of things we gotta tell them they can't have. They're nervous and I'm gonna have to try to get 'em (UI) gonna pull off the impossible when I get 'em a bank guarantee. Tell you what tomorrow we, ah.

Wehmhoff: Well we gotta ah get (UI). I'll have to meet with 'em (UI).

Petters: Because you see, Jim, we can't do this by ourselves. And by the way you didn't get us into this. I did. So you know what.

Wehmhoff: Well we still gotta get out of it.

Petters: Well you can't because I can't. You know what? Deanna's under so much pressure right now she can't think.

Wehmhoff: Right.

Petters: Um, and, and I mean I'm, I'm telling you right now we missed a big opportunity this morning put it, for us to call because they had a window of time open and the guy and I'm not. I know you're busy and I know (UI). I ah.

Coleman: Call or no call they still would have done the audit.

Petters: I'm, I'm telling you what they would have done the audit. It opened the window for a call that we were gonna make this afternoon. When we didn't make the call this morning it didn't open the window for the call this afternoon after we meet Henry. The call with Henry they've changed their flight to 5 o'clock so after Henry the auditors can listen. I can calm 'em down but I'm saying they're all upset because we didn't call 'em this morning. They have a meeting at noon and some shit. Well I'm just saying we just continually can or,

are not communicating and we don't communicate it is a death trap and I don't know how to. I don't know how to get around that. I understand fear too so I mean I just. I just. I'm not gonna set you up, or cuz you know what you're not going to get ah. You're not going to be able to. You're not gonna, thank you, you're not going to be able to make it through. So, you're not gonna be able to make it through and I'm not gonna sit you in there by yourself (UI). Ya know, this is one big fucking fraud and that's what it is and that's why I'm dealing with it. And ah, I don't know how to do it. You guys wanna tell Jim somethin' different you can tell him because I. You know what he gets left alone every day cuz we're scared or you don't wanna deal with it. So what should we tell Jim? See I'm not a CPA.

White: I, I guess the fundamental thing is, to me, um, suppose we get, we got through the audit and so on. How realistic is it that we can, that Polaroid can be sold to Russia or (UI)?

Petters: Well, Bob, you know what? I don't know.

White: I don't.

Petters: All I can do is try like this.

White: Oh I know I'm just trying, I'm just trying to understand.

Petters: (UI) Thane Ritchie trying to get his agreement signed so he can go raise some money for me overseas and trying to go over to California to get Ramey to go over to see the Arabs next week. I'm trying to get other people (UI) to get a couple hundred million. None of it will happen when this, if we keep having this you know. None of it. There is no chance. I mean Jim's got to get us through fucking hell fires. On that. There's just. There's, there's not, forget it. I won't say it.

Coleman: So Tom what do you want us to do? They're asking for the impossible and we can't do it.

Petters: I didn't say that.

Coleman: Okay.

Petters: (UI) I was trying to block the impossible but you can't

strategically do it when people don't talk to each other. That's what I'm talking about and it happens every single day that we.

Coleman: I agree there, a hundred percent.

Petters: I'll tell him we can't do it and we'll have a call with the hedge fund and I'll try to go raise the money. If we can't we have a problem. We can't do the audit. They wanna come up here. I mean the next time Jim. And I'm saying I, I'm not gonna you know what. Fuck it. It's over. And when I say it's over I'll just take, try to hang out as well as I can myself. Try to get us out of it, okay? I don't know any other way to do it without getting everybody all mad at me and everything else. I'm not gonna set, um, Jim up for any more and you guys, you know, are obviously frozen and I understand that and I'm trying to figure out ways to get us out of it right now and trying to do it where I can get some backstop into it. You know I don't know the probabilities. Bob, what's the probabilities that Zink can commercialize? You know what I mean? (UI)

White: Yeah (UI) well I know.

Petters: I mean.

White: No, no. (UI).

Petters: (UI) they were all happy when they left with me. And then I guess they got a phone call and nobody ever called 'em this morning so that's why. I'm saying when I left the meeting or whatever I sound like I'm harping on it, beating on a dead horse, but I'm telling you what. Either they think Jim's lying or I'm lying and he's not. But you know and to them it was a big deal to have the call, I'm just saying, so you know it, it, it, it is ah, everything I was getting from them was coming along great with the auditors. We even got an email saying what a good job you guys did on Monday from Bruce. The auditors are calming down. I told you that Deanna last night with them there. And I, you know when they get nervous there's other things that happen. You've been an auditor for years Jim. You know you're an accountant, you know what makes you nervous and when you get calmed, you know you're gonna get out of it, you're gonna get paid, and you can sign off on something and you know what I, I. The. It's all, it's

all ah fucking magic to get out of this. I mean I was at breakfast with Bob Sabes this morning at 7:30 and got him all calmed down for a couple weeks. It's like I'm sick of it. I am fucking sick of doing it and all. And I'm sick of it, sick of it, sick of it. So sick of it that I gotta tell you what every time I can get re-energized to get fucking (UI) because you know what you're the only one that I ever talk to about a solution other than last night's the first time I talked to Deanna about it and I talked to Zink about you with you but I mean we don't have any other solutions, and that's not, that's not a criticism. So I'm saying I, nobody else knows what to do and I'm saying that's what it is so you know what I mean why should we all work on it together and have what happened this morning. We can't have those. Frank's getting fucking sick of it. And Frank's trying to fight for his goddamn life. You know what I mean? He's sick of it. He just told me yesterday. Like I said, you know, sometimes when you're calling people up when you don't wanna call 'em is what we gotta do. Sometimes it's for everybody and I am. And I know everybody has a breaking point. Believe me I'm telling you I know. I don't know. I don't have any solutions. Other than I'm gonna call 'em and tell 'em not to come tomorrow. Do you have a list of the stuff they want, Jim?

Wehmhoff: No, they have not provided us with any list of what they wanna see tomorrow. They just had told me on Friday that when they come up they were going to select certain files to go through.

Petters: They're going to select 30 files to go through.

Wehmhoff: Certain.

Petters: 30?

Wehmhoff: No, they just said certain files to go through. Well, I'm willing to meet with the auditor and ah.

Petters: No, you can't.

Wehmhoff: Okay.

Petters: No, what are you gonna give 'em, Jim? Empty hands? We don't even have files probably. I don't know if we do or don't.

White: We have files on, you know, all of the transactions (UI).

Petters: Where are they? I don't know where they are. He doesn't know where they are. (UI). Do you know where the files are? Can you go get a file for me or?

Coleman: It's the same file, Bob, that they have. It's a purchase order and the note. But you don't want Jim to meet. You want Bob and I to meet with 'em?

Petters: No.

Coleman: Okay.

Petters: I, I'm, I'm saying why would I want Jim to meet with 'em when he doesn't even know. He doesn't even know what it is. I mean the reality is that Jim's been helping for a number of years here and, you know what, I mean I don't know. I, I, I don't think I'm alone in the crowd in feeling this way but I'm gonna tell you what, we haven't been very helpful to a solution for ah, to Jim and the only way I know is to sell out our way out of it and get somebody to loan us money, or something. You know what I'm. Nobody. I don't think that Deanna or Bob know any single thing I'm working on and I don't think that, that's cuz they're too scared to (UI) what's going on and I, I, I can't. I'm not gonna set you up to be (UI) so you know what I'll just take the hit and take it and move on. I don't know what else to do. I don't.

Male: I know.

Petters: I don't know what else to do because you know what it sucks.

Coleman: I don't know what you're working on. You're right.

Petters: I know and I can't, I don't.

Coleman: And it goes back to communications. I'm sorry. I don't know.

Petters: It doesn't go back to communication. I'm not gonna go (UI).

Coleman: Okay.

Petters: That's why I don't wanna get in an argument. If you can find me, you can come to me. You can go to him just as well. You guys are off more fucking days than I am. I am working seven days a week right now and I've done it for about 12 fucking months. Okay? So it doesn't go back to communication. It goes back to interest in trying to figure out or not getting to figure it out, hoping someone figure's it out one way or the other and I am not blaming ya cuz I know you don't know how to figure it out. You know. How do I get anybody involved in what I'm working if I can't get involved. I don't have enough time. You saw last night I don't see the fucking daylight, my fucking schedule. My schedule doesn't have two things on it. You know? It's not like I'm fucking around. Do you think I am?

White: I don't think you are, Tom. Not gonna think you are.

Petters: (UI) I don't know.

White: I don't think you are. Why do you. Why do you think we think you're fucking around. We don't think that at all.

Petters: I don't know.

White: I think you're performing an impossible feat with these things.

Petters: I'm not, obviously so I'm not gonna be able to. I can't put on a game face anymore.

Wehmhoff: Well, let me know what you need, Tom.

Petters: I will. Thanks. Where are you going, Bob? Where are you going, Deanna? Let's figure it out. Get the door.

White: Oh.

Petters: No, let's figure it out, not him. I'm tired of walking out of the office. We're all in this together.

White: We know that.

Petters: Well, then, let's figure it out. We're not gonna set Jim up for execution.

Coleman: I didn't know we were.

Petters: We are. He doesn't have the answers for people tomorrow.

White: Nobody has the answers. We have to try and dance through it as best we can. I don't know how to do it any better than anybody else knows how to do it, Tom.

Petters: (UI) so what do you wanna do? How do you want me to tell these guys not to come? And I can't tell 'em a it's done.

White: I.

Petters: I mean I don't know what to do any more. I mean honestly, let's just be honest with each other. We're not talking. We don't talk (UI) the only thing we talk about is when does somebody get big money in here. You know what other than that it's like. I mean with. I can't do it anymore. I can't. I'm done.

White: (UI).

Petters: No, I'm done. I'm done. Not kidding. You, you don't know how bad it's gonna be.

White: Yeah I, I.

Petters: I mean no, no, I don't think you do cuz I'll tell you what I can't work any harder so. We're all in this together.

White: Tom.

Petters: This guy's gonna have a heart attack and we just think we just. Well, I'm gonna go see Frank. Unless you guys got any idea. Cuz all these things I'm working on, I know that you're trying to do what you can each do. It's not enough. Cuz we can't do it. We can't hold all it all together. You can't call everyone back. You can't, you can't call Frank anymore than you could. You know I mean I, I guess you'll ask yourself the questions after it's over with and we'll get out of it as well as we can get out of it. But what we could of done, we should have done. But I'm just trying to, I'm not trying to sound like an asshole, I'm telling you I can't do it. I don't physically have. I'm just saying I don't have the time to even say anything anymore. Nothin'. All my Saturdays, all my Sundays. I'm not

asking you to feel sorry for me. I'm just telling you I have zero time left in my life. I barely get enough time to go see Tracy at Hazelden and that's my fucking week and what I'm telling you is I'm here every fucking night on the phone. Every fucking morning at 6 or 7 o'clock fighting like hell to get this thing done and I gotta tell you what you guys are giving up or something so you.

White: We're not giving up, Tom, we're not, we're not sure what to do. We're, we're at a. We're, we're floundering here.

Petters: (UI) we're gonna have a meeting.

White: Okay?

Petters: When I set a meeting is the only time we're gonna have a meeting. It's like fuck it. (UI)

Coleman: I find it very hard to bel...well, I don't know.

Petters: Find what very hard to believe what?

Coleman: I, I don't know how many times, been told that this was coming or that, that's coming and.

Petters: What?

Coleman: On money.

Petters: Think that I just try to.

Coleman: No, Tom, I think sometimes you tell us what we wanna hear just so.

Petters: Well I don't. No, I don't. You don't know how many fucking times I got people out there that tell me that they'll give us 20 million when I'm holding onto a thread of hope and by the way when I get Camille to go beg somebody for 2 million dollars in the last five minutes before we get killed. I'm calling the companies on a Friday afternoon to get money. Listen I don't make it up. That's where you're confused. I don't make it up. I've got people that tell me, Frank will call me. Greg Bell will tell me he's working on something.

White: Um.

Petters: I'll get a guy in Chicago, an old investor. I'll get somebody that says they can get some money. That's what I tell ya.

White: Hum.

Petters: So you know what? I don't see anybody else raising any fucking money. So you know what? At the end of the day I'm calling all the old people and telling 'em the same old bullshit. I'm trying to come up with some new stories (UI). That's what I've been trying to do for a long time but you know what that doesn't seem to sit well. Anyway.

White: Well I don't, I don't understand what you're saying. I mean.

Petters: Ah basically I'm saying is that I can't. No. Don't you understand my frustration?

White: Yeah I do but you know you're.

Petters: I'm not blaming you two. I'm saying you're out of it and you checked out. Am I right or wrong? You checked out.

Coleman: I don't think that's true at all, Tom.

Petters: Okay. Why don't you ask about 50 of the people around the building how they feel? I don't say anything other than fucking great shit. Ask Debbie how she feels.

Coleman: Ask Debbie how she feels? Why?

Petters: Cuz she just came up to me yesterday in tears in my office and gave me that thing about God. Debbie came to me and don't say this to her (UI). She said to me yesterday you always. You guys always think I'm making stuff up when I tell you these things so it's not even worth telling ya.

Coleman: No, I'd like to hear it.

Petters: She said you checked out a long time ago. She said Deanna's checked out a long time ago, Tom, and you gotta get her checked back in. I said I want to.

Coleman: Maybe I did cuz I'm tired of it.

Petters: Well so am I. Bye.

White: (UI).

Petters: (UI) be in your office on Thursday morning. (UI)?

Male: (UI).

Wehmhoff: Somebody's bullshitting.

Petters: What?

Wehmhoff: Somebody's bullshitting. I mean he sounded fine on the phone or on the. Yeah he sent me a voice mail.

Petters: By the way ya heard Frank saying that they are okay, they're just nervous. So what is this, just got, you just got this?

Wehmhoff: Just got it.

Petters: I received your voice mail regarding Sandy being out. I'm ready to speak with her, you and Deanna if possible and if we could do this as soon as possible as I need to book my flight and reserve hotel. As discussed, I want to be at your office on Thursday morning and gone by Friday. Thanks in advance for your prompt attention. Doesn't sound real angry, does it?

White: No. Oh.

David

Baer: Sorry.

Petters: What's up, Bob?

Baer: I just wanna talk to you about the email Bob (UI) sent about when you and Thane agreed to. When you're done.

Petters: Okay, thanks.

White: Let's somehow get through this fucking audit on Thursday. I don't know what we're, well how to do it but I'll.

Petters: By the way I'm not telling you guys I've ch-, if you've checked out.

White: I haven't checked out.

Petters: I, I don't mean checked out,....

White: (UI)

Petters: .... and you don't care. I know you're scared and Deanna I'm not, this is not.

Coleman: Maybe I have checked out cuz I'm tired of these audits and I do not wanna sit in there and make up one lie after the other lie, like I've been doing for how many years?

Petters: Okay I understand that. Neither do I.

Coleman: So.

Petters: Neither do I want him. Neither does he.

Coleman: Okay.

Petters: None of us do. And all I'm trying to do. Do you notice the deals I'm trying to work on?

White: They are real deals.

Petters: I'm trying to work on real deals I keep having to revert back to giving this fucking (UI) like today I hate it worse than anything in the world. I don't know what to tell somebody when they got 60 million dollars worth of notes that are due (UI) anybody else. You know what I mean? But I mean I, I will tell you what everything as far as I'm concerned and Frank's voice can hear it, sounded good.

White: Um hum.

Petters: When I left these guys and they were high fiving me, telling me that we're getting through this thing and that the auditors they'll make the auditors calmer this afternoon. If they talk to Henry and I don't know I, I, but I'm not. I, I'm just not gonna set you up Jim. I'm, I'm sorry that I ever even. I'm sorry that we ever you know. I'll say it right now because I, I said this I will take every fucking bullet I can take and I think you think I'm kidding you when I say that.

Male: No, good for you.

Petters: But you know what. Let me tell you what. (UI).

White: Tom?

Wehmhoff: You have to call it.

Petters: What?

Wehmhoff: Somebody has to call besides me.

Petters: I know. But what I'm trying to tell you is Deanna's tired of it and I understand her being tired. And I understand not knowing what to do but what I understand is. I'm ready to speak with her or you and Deanna if possible.

Wehmhoff: So let's talk to them.

White: Yeah.

Petters: I agree.

White: Talk to 'em and see what.

Petters: Well what I'm trying to say is I understand (UI).

Male: (UI).

Petters: I'm not trying to say that I, I, I blame you for being scared and I know what to say (UI).

Coleman: But you push me into everything. I mean all these fricking audits.

Petters: I push you into 'em?

Coleman: Well, okay, I tol, told you how many times I'm not gonna do the audit and we're still talking about it. Has anyone else volunteered to sit in there?

White: I'll do it.

Coleman: Jim has.

Petters: Yeah, Jim. That's what I'm saying I don't even know what the fuck you're doing over there. How can I sit

through the fucking audit?

Coleman: I don't know what I'm doing either.

Petters: (UI) do everything else. Well you, you. Yeah you do. You know what's wrong.

Coleman: I have no clue. Tom, everything is fake. I have no clue when the merchandise has been shipped. I have no clue when any of that stuff is.

Petters: Let me tell you what. How're you making up these reports?

Coleman: You. What are you talking about?

Petters: I'm saying you made 'em up some way I don't know which.

Coleman: Exactly.

Petters: Okay whatever you made up out of the which you're gonna have to defend in an audit. That's the bottom line.

Coleman: I didn't make.

Petters: Am I right?

Coleman: Okay. Those reports that you basically asked me and begged me to make up?

Petters: I, I asked you and begged you to make up. Okay let's assume I asked you and begged you to make up.

Wehmhoff: Well, Bob, would you talk to them?

White: I'm happy to talk to 'em.

Petters: I asked you and begged you to make up.

Coleman: You've asked me how many times for Frank? We have to have this, we have to have that, and now you're saying you didn't ask me to do any of that?

Petters: No, I didn't say that. See I knew the conversation would turn to this.

Coleman: That's why I'm saying I'm done. I'm done doing it.

Petters: I never said that to you, that I'd never asked you to do. You've been asked to do stuff you did on your own. You've been asked. I've been asked to do stuff I did on my own. He's been asked to do stuff he did on his own. So, it's not just me asking and begging you to do reports.

Coleman: No, but when Frank wanted you. No, when Frank begged you that he wanted a shipping report and I said I wasn't going to do it.

Petters: No, you didn't.

Coleman: Yes I did, Tom.

Petters: That was in Palm Beach?

Coleman: Yes I did re....no, you were in Minnetonka. I even went over there, showed you the report. I told you I didn't wanna do it.

Petters: Minnetonka? I don't know what. I'm sure you're right and I'm wrong but I don't remember.

Coleman: Okay.

White: Well, lookit, let. The, the, sounds like...

Petters: (UI) Deanna, Deanna...

White: Just a second. It sounds like the auditors...

Petters: I just don't know what, whatever we could have done I'm sure I never wanted you to, ask you to do something that I, that I, that you didn't want to do and I'm sure you know that and I hope you know that. Do you think I wanted you to do stuff that make you do it. I'm saying somebody has to ask you questions (UI) go outside. I'm saying that they look at you and me and Bob and Jim. It's all different (UI).

Coleman: I know and I can't answer the questions anymore because they're not the truth.

Petters: By the way. Okay. So they haven't been the truth for a long time and we're trying to get out of it by building up other businesses and what all I'm trying to say is if you have checked out, we can check out and then we

can get Sandy or somebody else to answer the questions. I'm not trying to be mean right now. I know the bad position. My heart aches about it 24 hours a day. Okay? I'm not trying to be mean. I'm not trying to say that you know it and I don't think you know anything. But I'm saying I can't do it without your help and I don't know any other way to get out of it. And I'll take all the fucking money, that's not what it was about.

White: No, it's not that. But let's...

Petters: I'm saying...

White: Let's, Deanna. Let's try. Let's try to...

Petters: All I'm saying is we're gonna get out of this when we're sick of it. As sick as we are of it. I understand that. That's what I said a while ago, Bob, I said I. How, how bad did I tell you about how it felt about Deanna and me and you.

White: (UI) yeah, terrible.

Petters: Why don't you tell Deanna to go take a month or two and we'll let you, Sandy, and get out of here while we figure this out so she doesn't have a nervous breakdown. I feel like I'm going to have one every day. I feel like he's gonna have one. You're gonna have one. You know what I mean? It's not about you, Deanna. But, you're, but I, I think that you know a bunch of stuff that you're not telling.

Coleman: What stuff would I know that I'm not telling?

Petters: I just said it's not about that. Are you listening to what I said?

Coleman: I guess I didn't understand what you said.

Petters: I said it's not about you're not telling a bunch of stuff you know.

Coleman: Okay.

Petters: You understand that?

Coleman: Um hum.

Petters: You can be mad at me all you want.

White: Lookit, I don't think. I'm not mad at anybody. The point is that we're all scared and we gotta try to figure a way out of it. Jim, you and I can handle the people on Thursday and we can say that Deanna's not, is ill or something like that. I. Or, Deanna you can be in there and turn ashen white and say you're sick and you have to leave and let me take over but, um, but let's, let's try. They're gonna come up with a bunch of questions and the best we'll give 'em what we can and what we can't give 'em we'll say we'll get to them. I mean that's better than, than not dealing with it, I think.

Petters: Quite honestly.

Wehmhoff: Well, we have to ah talk with him, somebody, you know.

White: Jim, why don't you and I get on the phone?

Petters: Well, Sandy says. Is Sandy the person to get on?

Wehmhoff: Basically what he wants to know is the flow of the transactions. Who does what. Who generates the invoice. Who generates the bill of lading? Who controls the shipping. The flow of the merchandise. He's trying to understand that.

Coleman: And who does do that?

Wehmhoff: Well when I questioned Sandy about it, ah, she says ah. She told me that there's never an invoice from Sam's Club or B.J.'s or whatever it is. That it's always through Nationwide or National Distributors. One of the two.

Petters: What is it Nationwide and?

Wehmhoff: Lancelot.

White: Enchanted Family.

Wehmhoff: Enchanted. So they get, or that is where we get the monies from, but he's trying to understand what happens with the goods once they're ordered they go into a public warehouse, we take title. Why don't we do the billing since we have title?

Petters: Why don't we do the billing?

Wehmhoff: Yeah.

Petters: Don't we do the billing?

Wehmhoff: Nationwide does, as I understand it.

Petters: Well, I don't know when we ah transactions that we did with G.E. and stuff where they closed. I don't know we used to have a checklist, that's what I was asking for before. (UI) You have the same story at least. I know you don't remember.

Coleman: No, I know Tom and you know what there's no invoicing so no one does the invoicing. Nationwide or us.

Petters: Listen, Deanna, I realize what the deal is right now. I'm talking about.

White: What story do we say.

Petters: You know what?

Coleman: What story do we say. I know and I don't know what story we say cuz everything always is ask Deanna, ask Deanna. She controls that. I don't control it....

Petters: So basically, basically.

Coleman: ....because there's no documents. There's no shipping.

Petters: So basically you never. You're saying basically you never had a, a (UI). In 17 years here you've never had any real transactions from the beginning to the end?

Coleman: Ah, we did many, many years ago.

Petters: Well, I don't think we should do the audit. Um, I can't answer your questions (UI) and, ah.

White: Why don't. Why don't we sit down and try to figure out what would be a logical flow of these things so we have, so we can respond and figure out what, what traps that would lead us into.

Petters: Okay, well.

Wehmhoff: I gotta call 'em.

White: Jim, why don't you and I go call?

Wehmhoff: Well are you in a position to answer those questions he's gonna have?

White: No, no I'm not but.

Wehmhoff: To answer how the deal closed so, so, um,

Petters: So these hundreds of millions of dollars worth of transactions we have never had an invoice on 'em.

Coleman: No, Debbie made up some of 'em when Frank asked her to. But most of them, no, there's no invoice.

Petters: I thought Greg Bell had a whole bunch of invoices he showed me down in Florida..

Coleman: Debbie does do invoices for Greg Bell but not for Palm Beach. There was some of 'em, a while ago, that Frank asked. I think he talked to you about it. I think you actually asked me to get 'em invoices and so we had to get 'em invoices.

Petters: Right. I didn't know those were the only ones we did.

Coleman: Right, and that was probably...

Wehmhoff: Well how is this...

Coleman: Five months ago.

Wehmhoff: How was this one different than Thousand Lakes or PC Funding or...

Petters: That's what I'm asking.

Wehmhoff: ...PAC Funding? Cuz we got through the auditors on those.

Petters: I guess you're just answering based on what we're doing before then, huh?

Coleman: Tom, I...

Petters: No, I'm asking you questions how we're doing for PC?

Coleman: You guys don't get it.

Petters: (UI).

Coleman: I, I know, Tom, You know what? I'm tired of lying to 'em. I don't wanna sit there and lie to 'em anymore.

Petters: I do get. I do get it.

Coleman: So someone else can lie to 'em.

Petters: Yes, I do get it.

Coleman: I don't know about the shipping. I don't know when they were shipped because they weren't shipped, that's not real merchandise. They can ship whenever they want. The bill of ladings you can get whenever you want. Just...

Petters: Okay, well, then let's just end it.

White: I don't wanna end it. I wanna try to work my way through the audit.

Petters: No, I understand what Deanna is saying.

Coleman: I can't stomach it anymore. I'm sorry, I just get tired of all the questions and all the lies....

Petters: (UI).

Coleman: ....and I just can't take 'em anymore.

Petters: I understand that. I'm not asking you to. And you know what over the years I don't think I'm the only one in here that has asked anybody. (UI) Man, I guess I have a real disconnect between...when we were giving out money to all these companies and we're taking bonuses and we're doing all this other shit when everything was moving and smel, sailing smooth and we thought we had this and we thought we had that and right now it's shitty and we gotta work our way out of it. And then everybody knew apparently that everything was wrong and now we know everything's wrong and now we gotta work our way out of it so that's where I'm at with the disconnect right now.

Coleman: We never were asked these questions before. Were you? I

wasn't.

Petters: We knew. I. The possibility certainly existed if being asked if we, if it was this bad, you know. There was a time ah, I hate to say and I know you will say there wasn't. I'll prove it to you that there was a time when this business was doing real business.

Coleman: When I first started for you when we did Costco and Best Buy. That's the only time I recall, Tom, and that was how many years ago....

Petters: Um hum.

Coleman: ....that we did real business.

Petters: I can recall a whole bunch of other stuff.

Coleman: We did some liquidation business with Mike Catain.

Petters: No.

Coleman: It must be Redtag or some other company then cuz I don't recall any of it.

Petters: Redtag.

Coleman: Okay, it wasn't PCI.

Petters: Well PCI wasn't in business.

Coleman: PCI's been in business since day one.

Petters: We didn't do shit for PCI when we had Redtag and Redtag did all the business for a couple years and that's when we had all the checkout statements and everything else and that's when we were doing business.

Coleman: And Redtag?

Petters: Redtag went under.

Coleman: Right. And I didn't have a checklist for Redtag. I didn't work for Redtag.

Petters: I didn't, I didn't say you did.

Coleman: Kay.

Petters: Well, Jim, let me know.

White: Jim, I think that, let's, let me go through the questions with you, Jim, and try to figure out a way that I can answer some questions and let's try to reschedule the phone (UI).

Wehmhoff: I don't know what his questions are, Bob.

White: Okay.

Wehmhoff: I don't.

White: Well let's just call and (UI).

Wehmhoff: Other than what he mentioned this morning but. If, if you and I and Sandy get on the phone.

White: Yeah? Let's try to do that and we'll see (UI).

Wehmhoff: (UI). I need a reasonable excuse on why Deanna isn't on the phone. Cuz he's gonna ask.

Petters: Well, um,

Wehmhoff: Either that or you're gonna have to get on Tom.

Petters: Well I'll get on it. But I'll tell you what, I'm gonna have to tell 'em that Deanna's not gonna be working on this stuff anymore right now. Can't tell 'em that she's not available. I understand so, you know what I mean? Don't ya think, Deanna?

Coleman: Yeah.

Petters: Well, I mean, I'm asking.

Coleman: No, yeah, I agree.

Wehmhoff: Well, to me that's the worst thing in the world we could do right now.

White: Yeah, I think we need to try to, to buffalo our way.

Wehmhoff: Well you guys...

White: We, we have to try to buffalo our way through it. I mean and we just have to gird up our loins and try to

do it. It's better than the, the options are bleak and bleak but I think the (UI).

Coleman: Why don't you go on the phone call and see what they have to say, Bob?

White: I will. I'm happy to do that. I'm just saying ah.

Petters: Deanna, what I'm trying to say is that for a long time, you've been in this situation and you know what I know how hard it is. (UI) but we all have different thresholds of what we can take at various times and, believe me, nobody feels worse than I and I'm not trying to point fingers at you like you know something.

Coleman: It sounds like it.

Petters: Jim is a CPA basically what you just told Jim. I said that absolutely (UI) it was real and I think that ah. I mean I. We. You know, I understand that you're getting sick of it. But I guess I don't understand...we've been in this for a while. It didn't start yesterday, and so I'm sure Jim's shaking his head right now going and I, ah, and I understand how you feel. I do. However, I, I, I (UI) I didn't share your pain, you know. I love you and I hate it and I hate feeling this way and I hate lying, too. I hate it with a great passion so I'm trying to get some stuff that we're not lying about. A lot. It doesn't matter what happened yesterday. What matters happens today to try to fix tomorrow to get out of it and that's about all I'm looking at right now.

White: Yeah.

Petters: We've already committed enough lies, all of us. You know what I mean?

White: Yeah.

Petters: And I know when you don't know what to say to people but, you know, you got a pretty good goddamn imagination and I'm just asking you this. If you want me to stop right now.

White: Tom, I.

Petters: No, just a minute,

White: Okay.

Petters: Bob.

White: Alright.

Petters: Cuz you know what? I'm, I'm gonna tell you what. I feel, you know. I feel a lot of like what Deanna feels right now, too. You know, I'm sick of lying. I gotta tell you right now I'm sitting here busting my mother fucking ass, telling people real stories about Polaroid trying to build up (UI), trying to build up this, trying to build up that, and I look like one big (UI) disappointment after another to Deanna cuz she thinks sh, I'm gonna get money and we don't send it in and I think sometimes, I hope, way too high.

White: Um hum.

Petters: Because I'm scared to death just like everybody else and I don't ever try to intentionally lie to either of you. I don't.

White: I know. The, the.

Petters: (UI).

White: Lookit it's not a matter of lying, it's, it's a matter of when you hear something positive and exciting you share it with us. Okay?

Petters: I know, I know.

White: And, and, and many of them are...

Petters: You know what makes it worse?

White: But many of them end up a disappointment. They're. And it's not that somebody's angry about you, towards you.

Petters: No.

White: For that and.

Petters: But she's the one that has to talk to everybody and I know when she hears something she tells somebody it doesn't come true and it just makes her feel doubly

worse.

White: Um.

Petters: But you know what? I don't know, I don't know short of having one person involved (UI) way too late and I do think we can get out of it but I tell you what it'll take all of us to come in here and just forget about yesterday or (UI) and I'm not gonna put you in a position, you know, to try to make you lie. Look at me once. You know me better than that. I've known you 20 fucking years. I don't want this any more than you.

Coleman: It's every day, Tom.

Petters: Deanna?

Coleman: It's every day and I'm getting tired of it and I can't do it any more. I've told you how many times I didn't wanna sit through this audit and I keep getting pushed by both of you guys. We gotta do it, we gotta do it.

White: I'm saying. I'm saying I'll do it.

Petters: (UI) push you.

Coleman: Okay then don't ask me to do it.

Petters: I'm not asking you to.

Coleman: Okay.

Petters: I just said I don't want you to. I'm asking you do you wanna get the hell out of here for a couple months and we'll try to fix, fix it?

Coleman: I don't know.

Petters: I'll check in with you once a week or somethin'? No, really. I mean, I'm asking because here's what the deal.

White: Huh.

Petters: It will only make it worse (UI). Or we gotta continue to work our way through it and I don't think anybody wants to see it end in a horrible way. And I know we're all scared and I know we're all sick of lying. But is

it lying telling people what we're building in Polaroid? Is it lying telling people what we're doing? That's what I (UI).

Coleman: I'm not involved in Polaroid so I don't see that part of it, Tom.

Petters: Well.

Coleman: I see PCI and I lie after lie after lie.

Petters: Okay, so you know what? When we had money and when we had money flowing I don't know how I can change it, history, okay? But I need to try to get us to rally together to try to get us to get out of it and I hate it as much as you do. I hate it, Deanna. I hate it with my blood and my soul, everything. And I hate it cuz it doesn't make any difference if I hate it as much as you hate it, I guess. I hate it.

Coleman: Um hum.

Petters: So you know what? I'm not trying to be disrespectful to you in a horrible situation. I'm trying to tell you that I'm trying to say I understand how sick you are of it. You didn't come in here expecting to get in this fucking shit (UI). By the way, day one, way back when from Mandel used to laugh about it and we'd all laugh together. We haven't laughed about it for a long time, have we?

Coleman: No.

Petters: It's not so funny anymore. But let me tell you what we used to laugh every time we beat the system, we beat the clock, and right now we gotta figure out a way to laugh a little and get through this. You know, and that's what I'm asking. I don't wanna be, um. I'm not. I'm sad and not mad, okay? Big difference.

Coleman: I know.

Petters: And I'm trying, trying to, ya know. I don't know. Fuck, I wish (UI) fuck, fuck, fuck. It's like what the fuck, Bob, did we get into?

White: Yeah.

Petters: And I mean in the worst fucking economy in the world while I'm trying to sell a fucking dream, this fucking dream and you ask me if I can make it work. Not every time. I mean I just got off the call with Thane and that's why David's coming here (UI). You know what it is? It's like. I know what it's like lying. This isn't lying so I'm sitting here trying to get people to believe in this and every time I get (UI) the fucking (UI). Some goddamn thing happens to PCI. Something blows up. Somebody calls up. Somebody does something. It takes another fucking half a day to get any fucking lead in your pencil or whatever. (UI) You know what I mean?

White: Um hum.

Petters: You know how good it feels to get money and pay people, right, cuz you feel better about it cuz at least you feel you are relieving their pain.

Coleman: Um hum.

Petters: And I'll tell you what, I know how feels not getting any money and I know how it feels. That, double that. And by the way the reason I said there's nothing I can do about yesterday. We all better just understand that. None of us can do anything about yesterday. I'm not gonna ask you to go. (UI) gonna ask you about whether you want to go. Not because I think you want to quit on us, or you wanna walk out. I, I don't wanna see you like this. I can't stand seeing you like this.

White: Well.

Petters: See I know you, you care, Deanna. You fucking care about everything. That's why it's so fucking.

Coleman: I'll call Greg Bell.

White: Huh?

Coleman: What, I have to go.