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News Release

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Illinois man sentenced for wire fraud in connection with Petters investments

The 45-year-old Illinois hedgefund manager who cashed in on Wayzata businessman Tom Petters' business reputation to execute his own fraud scheme was sentenced today in federal court in St. Paul. United States District Court Judge Richard H. Kyle sentenced Gregory Malcolm Bell, of Highland Park, Illinois, to 72 months in prison on one count of wire fraud. Bell was charged on September 17, 2009, and pleaded guilty on October 7, 2009. Petters, age 53, was sentenced in April of this year to 50 years in prison for operating a $3.7 billion Ponzi scheme for more than ten years. He presently is incarcerated in the federal penitentiary in Leavenworth, Kansas.

In his plea agreement, Bell admitted obtaining more than $200 million from people investing in Petters Company Inc. ("PCI") from February 26 through September 24, 2008. Bell's hedgefund, Lancelot Investment Management, had all of its money invested in PCI promissory notes. Bell admitted that after PCI fell behind in paying the notes held by Lancelot, he devised a plan to make it appear to Lancelot investors that PCI was paying off its notes when due. That plan entailed Lancelot providing funds to PCI that were then used to make payments back to Lancelot. From February 26, 2008, to September 24, 2008, Bell made 86 sham "round-trip" banking transactions that gave investors and potential investors the false impression PCI was paying its promissory notes in a timely manner.

The "round-trip" transactions were preceded by telephone calls or e-mails between Lancelot personnel and PCI personnel about the amounts of money involved. In each of these "round-trip" transactions, money was wired from Lancelot to PCI and then immediately wired back to Lancelot. When the money came back to Lancelot, it was represented as being payment by PCI on the promissory notes held by Lancelot. The effect of the round-trip transactions was to make it appear to investors that PCI was paying its obligations when due, when in fact, by 2008, PCI was no longer financially able to make payment on its notes. During this time period, Lancelot raised more than $200 million from 43 new investors based on false representations that PCI investments were sound and paying positive returns.

This case was the result of an investigation by the FBI. It was prosecuted by Assistant U.S. Attorneys John Docherty and Timothy C. Rank. The U.S. Attorney's Office for the District of Minnesota gratefully acknowledges the generous assistance of the U.S. Attorney's Office for the Northern District of Illinois in the investigation and prosecution of the case.

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