



**United States Department of Justice  
United States Attorney's Office  
District of Minnesota**

**B. Todd Jones,  
United States Attorney**

**Jeanne F. Cooney  
Director of Community Relations  
(612) 664-5611  
email: [jeanne.cooney@usdoj.gov](mailto:jeanne.cooney@usdoj.gov)**

# **News Release**

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## **Illinois accountant sentenced for conspiring to commit wire fraud in connection with Petters case**

A 43-year-old Illinois man was sentenced earlier today in federal court in St. Paul for his role in assisting Gregory Bell's fraud scheme, which involved investments in Petters Company Inc. ("PCI"), the business owned by Tom Petters, the Wayzata businessman recently convicted of operating a \$3.7 billion Ponzi scheme. United States District Court Judge Richard H. Kyle sentenced Harold Alan Katz, of Buffalo Grove, Illinois, to 12 months and one day in prison on one count of conspiracy to commit wire fraud. Katz was charged on August 20, 2009, and pleaded guilty on September 2, 2009.

In his plea agreement, Katz admitted that from February 26 through September 24, 2008, he assisted Bell in creating and executing a fraud scheme. Katz was a Certified Public Accountant and the Vice President of Finance and Accounting at Lancelot Investment Management, the company owned by Bell. Lancelot Investment Management operated three hedgefunds organized as limited partnerships. Those partnerships were invested almost exclusively in short-term promissory notes issued by PCI. To further the scheme, Bell made misrepresentations to investors and potential investors regarding those investments.

Bell, of Illinois, was sentenced yesterday to 72 months in prison for defrauding Lancelot investors. Petters was sentenced in April of this year to 50 years in prison for operating his own \$3.7 billion Ponzi scheme. He presently is incarcerated in the federal penitentiary in Leavenworth, Kansas.

As to Katz's role in the Bell fraud scheme, Katz admittedly conspired to make 86 fraudulent banking transactions that gave Lancelot investors and potential investors the false impression that PCI was paying its promissory notes on time.

Those "round-trip" transactions involved wiring money from a Lancelot-controlled account

to a PCI account. Shortly thereafter, the money was wired back to the Lancelot account, making it look like the promissory note was being paid. Katz admitted creating a spreadsheet for investors that falsely showed the promissory notes had been paid.

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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