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News Release

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Petters' accountant sentenced for tax evasion

A tax accountant for Thomas Petters and his company, Petters Group Worldwide ("PGW"), was sentenced earlier today in federal court in St. Paul on two charges of tax evasion. United States District Court Judge Richard H. Kyle sentenced James Carl Wehmhoff to three years of probation, which includes the condition of one year of home detention, on one count of conspiracy to commit tax evasion and one count of aiding and assisting tax fraud. Wehmhoff was charged on December 15, 2008, and pleaded guilty on December 16, 2009.

In his plea agreement, Wehmhoff admitted to participating in a conspiracy to impede and impair the assessment and collection of taxes due the United States relative to Petters' businesses as well as employees of those businesses. Wehmhoff also admitted to aiding Petters commit tax fraud in connection with his personal income taxes. The tax loss attributable to the tax fraud was approximately \$20 million.

Wehmhoff was employed by PGW from July of 2004 through September of 2008. Throughout that time period, Wehmhoff oversaw the company's tax department and prepared tax filings for PGW and other business entities owned by Petters, including Petters Company, Inc. ("PCI"), in addition to Petters personally.

While working for PGW, Wehmhoff conspired with Petters and others to under report income to the U.S. Internal Revenue Service ("IRS"). To further the conspiracy, Wehmhoff characterized approximately \$60 million in payments made to Petters as "loans," when, in fact, those payments should have been reported to the IRS as income, for which federal and state taxes were due and owing. He also characterized millions of dollars in payments made to Petters' employees as "gifts," when, in reality, they were not and should not have been reported as such to the IRS. Moreover, he prepared tax returns for those employees, knowing those returns under reported income. And, when filing his own personal income tax returns, he failed to report or pay taxes on an approximate total of \$1 million in income, which he falsely characterized as a "gift."

Wehmhoff admitted knowing the purpose of calling the payments to Petters “loans” was to evade the payments of taxes on that income. Wehmhoff prepared Petters’ 2005 tax return and knowingly failed to report any income from PCI. Then, he did the same for tax years 2006 and 2007. For his efforts, Wehmhoff received millions of dollars from Petters and his business entities. Wehmhoff’s assets have been seized as part of the Petters receivership.

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Petters, the 53-year-old Wayzata businessman, was sentenced in April to 50 years in prison for orchestrating \$3.7 billion financial fraud, the largest in Minnesota history. He is presently incarcerated in the federal penitentiary in Leavenworth, Kansas.

The case against Wehmhoff was the result of an investigation by the Federal Bureau of Investigation, the U.S. Postal Inspection Service, and the IRS-Criminal Investigation Division. It was prosecuted by Assistant U.S. Attorneys Joe Dixon, John Docherty, John R. Marti, and Timothy C. Rank.

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Per U.S. Department of Justice policy, the U.S. Attorney’s Office is not allowed to provide the age and city of residence for defendants charged in criminal tax cases.