

IN THE UNITED STATES DISTRICT COURT  
FOR THE 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, and/or dba NATIONWIDE )  
INTERNATIONAL RESOURCES aka NIR; )  
6. MICHAEL CATAIN, and/or dba ENCHANTED )  
FAMILY BUYING COMPANY; )  
7. FRANK E. VENNES JR., and/or 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 TOWER, LLC, )  
CORNERSTONE RENTAL POOL, LLC, )  
2 SOUTH ORANGE AVENUE, LLC, )  
HOPE COMMONS, LLC, )  
METRO GOLD, INC.; )  
Defendants. )  
)  
DOUGLAS A. KELLEY, )  
Receiver, )  
)  
GARY HANSEN, )  
Receiver. )

Julie Loftus Nelson, Esq. and Frederic Bruno, Esq., Frederic Bruno and Associates, Minneapolis, MN, appeared on behalf of Defendant Larry Reynolds.

Steven Wolter, Esq., Kelley & Wolter, P.A., Minneapolis, MN, appeared on behalf of Receiver Douglas A. Kelley.

Robyn Millenacker, Esq., Assistant United States Attorney, Minneapolis, MN, appeared on behalf of Plaintiff.

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**ORDER GRANTING IN PART AND DENYING IN PART DEFENDANT  
REYNOLDS' MOTION TO MODIFY ORDER APPROVING PAYMENTS TO  
PRESERVE ASSETS AND PAYMENTS OF LIVING EXPENSES**

**I. INTRODUCTION**

On February 18, 2009, the Court heard oral argument on Defendant Larry Reynolds' ("Reynolds") Motion to Modify the Court's Order of December 16, 2008, Approving Payments to Preserve Assets and Payments of Living Expenses [Docket No. 177]. Reynolds' assets are currently frozen and subject to a court-ordered receivership [Docket No. 127] as a result of Reynold's admitted role in a large-scale Ponzi scheme. Reynolds presently receives monthly payments for reasonable and necessary living expenses pursuant to the Court's December 16, 2008 Order [Docket No. 151]. In his motion, Reynolds requests the following:

- 1) an increase in the amount of monthly living expenses for categories previously approved by this Court on December 16, 2008;
- 2) court approval for new categories of monthly living expenses;
- 3) payment of outstanding legal and medical bills; and
- 4) payment of living expenses incurred from October 3, 2008 through

December 15, 2008.

The court-appointed receiver, Douglas Kelley (“Receiver Kelley”), has filed a response [Docket. No. 189] to the motion, recommending that the motion be denied with the single exception of Reynolds’ request for increased monthly health insurance premiums.

For the reasons set forth below, Defendant’s motion is denied except as to the monthly medical insurance premiums.

## **II. DISCUSSION**

### **1. Request to Increase Previously Approved Monthly Expense Categories**

Reynolds requests that the Court modify its December 16, 2008 Order by increasing approved monthly allowances for groceries, health insurance premiums, toiletries, and miscellaneous expenses. Motion to Modify ¶ 3. In December, Reynolds had requested similar amounts for these expense categories, see Motion to Modify, Ex. A, and the Court determined that a lower amount was sufficient. December 16, 2008 Order ¶ 2. With the exception of the increased health insurance premiums, Reynolds has shown no significant change to his circumstance since December that would warrant an increase in these monthly allowances. Therefore, the request to increase allowances for approved monthly expense categories is denied.

### **2. Request for New Categories of Monthly Expenses**

Reynolds requests that the Court approve monthly allowances for expense categories not addressed in the December 16, 2008 Order. Motion to Modify ¶¶ 4-5. Those categories are: Direct TV at Defendant’s Las Vegas and Los Angeles residences, dental care, eye care, eyeglasses, dry cleaning, life insurance premiums, a lump sum payment to cover an annual

health insurance deductible, health club dues, and rent and utilities for his office. Once again, most of these expense categories were requested by Reynolds in December, see Motion to Modify, Ex. A, and the Court determined that they were not reasonable and necessary living expenses. December 16, 2008 Order ¶ 2. Reynolds has pleaded guilty to a role in defrauding investors in a massive Ponzi scheme. Given his admissions, the Court takes an admittedly rigorous approach as to what types of living expenses are truly reasonable and necessary. Receivership funds will not be used to maintain the status quo for the lifestyle to which Reynolds may have been accustomed at others' expense. Moreover, Reynolds has not shown that payment of rent and utilities for his office bears any relationship to the preservation of receivership assets. Therefore, the request for allowances for new expense categories is denied.

### **3. Request for Payment of Outstanding Legal, Accounting, and Medical Bills**

Defendant requests an order directing Receiver Kelley to pay outstanding bills for two attorneys, an accountant, and a cardiologist. Motion to Modify ¶ 6. This motion is not the proper avenue to request attorneys' fees. Requests for attorneys' fees are to be presented in the first instance to Receiver Kelley to be included in his Motion to Approve Payments of Receiver and Attorney Fees. As to Reynolds' accountant and cardiologist, they are not distinguishable from other good faith creditors awaiting future payment from the receivership. Therefore, the request for payment of outstanding legal, accounting, and medical bills is denied.

### **4. Request to Make December 16, 2008 Order Retroactive to October 3, 2008**

Reynolds requests that the December 16, 2008 Order Approving Payments to Preserve Assets and Payments of Living Expenses should be made retroactive to October 3, 2008, when the Temporary Restraining Order was issued. Motion to Modify ¶¶ 1-2. Reynolds is similarly

situated to the other Defendants who have not received expense allowances from October 3 through December 15, 2008. Payment of living expenses incurred prior to this Court's approval would not advance the objective of providing for Reynolds' reasonable and necessary living expenses going forward while also preserving the assets of the receivership. Therefore, the request that the December 16, 2008 Order be made retroactive to October 3, 2008 is denied.

### III. CONCLUSION

Based upon the foregoing, and all the files, records, and proceedings herein, **IT IS HEREBY ORDERED** that Defendant Reynolds' Motion to Modify the Court's Order of December 16, 2008, Approving Payments to Preserve Assets and Payments of Living Expenses [Docket No. 177] is **DENIED**, except as to the portion requesting increased monthly health insurance premiums of \$817.40 per month. Defendant's request for an increased allowance for monthly health insurance premiums of \$817.40 is **GRANTED**.

BY THE COURT:

s/Ann D. Montgomery  
ANN D. MONTGOMERY  
U.S. DISTRICT JUDGE

Dated: February 23, 2009.