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# Denny Hecker: driven by the deal (A special report part 1)

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**Interactive: Denny Hecker's businesses**

See the web of business interests held by Denny Hecker

**Interactive: Denny Hecker case timeline**

Denny Hecker wanted to be rich.

Over more than three decades, the kid who grew up in a modest house in North Minneapolis built an empire that included more than a dozen auto dealerships and some 200 companies with revenue estimated in the billions.

He certainly lived rich.

There was the personal jet. The 53-foot Hatteras yacht. The high-rolling trips to Vegas. The million-dollar homes. A different watch for every day of the month, including five Rolexes. There were Jet Skis, scooters, snowmobiles and four-wheelers for the kids, a $60,000 Rolex for his wife and a $60,000 fur coat for his girlfriend.

But it didn't add up for Sue Marcotte. The former controller at Denny Hecker's Southview Chevrolet never understood where her boss of more than 20 years got the money to fund such a life.

**SPECIAL REPORT: The Denny Hecker Page**

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"All we thought was, 'My gosh, isn't the well ever going to go dry?' " Marcotte said in an interview with the Pioneer Press. "From what I could see at the dealership I was managing, we weren't doing all that well."

Over the past year, Hecker's empire collapsed like a castle of cards, throwing Marcotte and hundreds of others out of work and forcing her former boss into bankruptcy, owing a staggering $767 million.

Hecker, 57, has blamed his change in fortune on the worldwide recession and the takeover of his biggest lender, Chrysler Financial, by a private equity firm, Cerberus Capital Management. He said his lender urged him to buy a rental car company and then pulled the rug from under him by calling in the loan.

In a recent interview, Hecker acknowledged that although he was best known for selling cars, his real talent was as a dealmaker. "I made a living out of buying and selling things," he said. "That's really been the characteristic of my financial success and, quite frankly, my financial demise. I personally took a shot at a deal ... and it didn't work. It's been painful and costly to me."

But others said Hecker used his businesses as a personal piggy bank, siphoning money from his dealerships and rental-car companies to fund his other ventures and maintain his lavish lifestyle. State and federal investigators are looking into charges of money laundering, conspiracy, mail fraud, wire fraud and bankruptcy fraud. His St. Louis Park headquarters was raided twice this summer and his records seized. A grand jury has been convened in the case.

And to top it all off, his wife has filed for divorce, asking for $15 million. She's also accused him of hiding assets.

Hecker said he has done nothing wrong and that he will be vindicated when all the facts are known.

The Pioneer Press reviewed hundreds of public documents and interviewed numerous former associates to piece together the complicated puzzle of Hecker's rise and fall. Dozens of other associates, family and friends refused to talk.

One thing is clear: Even as he battles adversaries on every front, Denny Hecker remains larger than life.

FAST START

"Unlike some of the other fellas, I didn't inherit the money or wake up with the right last name," Hecker

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told the Pioneer Press. "I had to start with basically taking two nickels and turning them into a 50-cent piece."

He graduated from Patrick Henry High School in Northeast Minneapolis in 1970 and had a brief stint in college. He started selling cars at a local dealership, later telling a reporter that he made $4,000 in commissions in his first month on that job — big money, in those days.

"I was always a people person, and I liked the work," Hecker said.

After a brief marriage at age 18 that lasted less than two years, he married Sandra Storm in 1973. Within a few years, they had two daughters, and Hecker was on the move. In 1978, he plunked down $20,000 to join the tony Wayzata Country Club.

The next year, at just 27 years old, Hecker bought his first dealership, Central Chrysler-Plymouth in Minneapolis. His timing wasn't great — sales of American cars had plummeted in an energy crisis, and Chrysler sought a government bailout to stave off bankruptcy. Three years later, with the country in a severe recession, the dealership went belly up. Hecker lost $200,000 of his own money on the venture, he reported in filings for his 1983 divorce.

In divorce records, he characterized the family's financial situation as nearly bankrupt, with more than $1.2 million in debt. He had outstanding balances on 16 mortgages on 11 properties, including three mortgages on the family's home in Maple Grove, about $173,500 in outstanding bank loans, plus nearly $100,000 in credit card and other outstanding debt.

"He said he was going to have a lot of money and that it was important to him," Sandra Hecker said in a recent interview. "He wasn't lazy; he was a hard worker. He wasn't the kind of guy to sit around and do nothing."

INFLUENTIAL FRIENDS

Hecker turned to Walter Bush, founder of the Minnesota North Stars hockey team, and persuaded Bush to loan him $50,000 toward buying the Minneapolis Auto Auction. Their partnership would continue for a decade.

The Minneapolis Auto Auction was selling about 15,000 cars a year when Hecker and Bush took it over. Three years later, sales were up to 70,000, according to a story in Minnesota Business magazine. General Electric purchased the auto auction in 1986.

It was an early example of Hecker buying and fixing a broken business for a nice profit. There would be many more.

Hecker and Bush used the proceeds of the sale to start buying dealerships, including Southview Chevrolet in Inver Grove Heights, Lake Country Auto Center in Forest Lake and a couple of dealerships in Florida.

By this point, the partnership had expanded to include fleet leasing and real estate ventures, using names like Walden (for Walter and Denny) and WBDH Realty.

Hecker bought Bush out in the early '90s, according to 1993 records in his third divorce. Bush did not return calls for comment.

The dealerships were the shiny public face of the business, but leasing soon became the engine, Hecker said recently.

"What people don't really realize is that in the past

15 years, the retail car business ... has not been the cash cow of the businesses. Basically, I've had a huge lease company that provided vehicles to the car rental industry for 15 or 16 years," he said.

As Hecker's holdings grew, another important partnership developed. Chrysler Financial, the Michigan-based sister company of the Big Three automaker, became his primary lender, financing inventory for all of his dealerships — not just the Chrysler ones. Eventually, Chrysler Financial also loaned him money for real estate deals, even some personal ones. Such a relationship was unusual, industry experts say.

Automakers and their funding arms were known to be generous with dealers that operate multiple locations — those dubbed "mega dealers," said George Hoffer, professor of economics at Virginia Commonwealth University, in Richmond, Va., and a longtime automobile industry consultant and expert.

"Make a million and the whole world will conspire to call you a gentleman," Hoffer said, quoting Mark Twain. "Nothing is more true in the car business. If you sell the metal, they will bend over backwards for you."

BLURRING THE LINES

Automakers paid for 13 trips in two years for Hecker and his third wife, Marsha Drapes, including tickets to the Super Bowl in Tampa in 1991 and the 1992 Winter Olympics in Albertville, France, according to his filings in their divorce.

The lines between Hecker's business and personal life blurred in other ways, according to divorce filings in which Marsha claimed that much of their lifestyle, including family vacations, was paid for by Hecker's businesses.

"Everything he needs on a monthly basis is provided through his various business operations," she said in a 1993 divorce filing. "He has no rental expense, because he is living in one of the real estate properties. He has no food expense, because the majority of his time is spent on the road, and all his food is business related. He has no car or transportation expense, because he is provided with vehicles through his various dealerships." She also suggested that he pulled money out of his companies to pay his personal bills.

Hecker disputed this in another filing in the case, saying: "The business is simply not available for our personal spending as (Marsha) claims."

The divorce — and a continuing 15-year battle with Sandra over alimony — did not dissuade Hecker from marrying again.

About a year after his 1993 divorce from Marsha, Hecker, then 42, married Tamitha Pownall, 27. They had a son, now 14, and a daughter, 8, whom he has showered with every kind of plaything, from scooters to Jet Skis to four-wheelers and snowmobiles, according to bankruptcy filings.

When Hecker filed for bankruptcy in June, the family had five vacation homes, including one in San Jose del Cabo in Mexico, and a Hatteras yacht named "Den*Star" they took out on the St. Croix River.

His 17,000-square-foot home on Hunter Drive in Medina is described in a recent real estate listing as a 5-acre private estate with 200 feet of shoreline on Mooney Lake. The six-bedroom home also has an attached 11-car garage, outdoor and indoor pools, tennis court and a guesthouse. It is currently on the market for $6.5 million after being returned to TCF Bank through foreclosure. Hecker told the bankruptcy court it was a voluntary surrender.

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AN INTRICATE WEB

By the early part of this decade, Hecker had expanded his holdings beyond the automotive world.

He even owned a stake in a Canadian fishing resort.

But most of his businesses operated under the public radar. By the time Hecker filed for bankruptcy in June, he reported an ownership interest in an interconnected maze of 236 closely held, private companies.

About half of those had nothing to do with the automobile industry. Hecker told the Pioneer Press that only 10 percent of his empire's earnings were generated by retail sales of cars.

About 20 of his companies did nothing more than hold Hecker's personal property, such as houses and planes. The reason for that sort of structure, Hecker said, was that he could obtain commercial financing at a level he could not have gotten as an individual.

"The average guy (looking to) qualify for a $15 million house, wouldn't qualify," Hecker said.

Nearly all of the companies were set up in the past decade as limited liability corporations, LLCs.

Separating business ventures into their own limited liability companies is a legitimate and highly recommended business practice that limits the owner's liability, said Dale Thompson, who teaches business law at the University of St. Thomas Opus College of Business. If one of the companies fails, the owner will only lose the capital invested in that one LLC. An LLC also offers a company a tax advantage.

"A decision was made, and that's how we laid out companies we added over the years," Hecker said in an interview. "Our legal staff thought that was the approach we should take."

But Thompson questioned how Hecker, or even the staff at Hecker's St. Louis Park headquarters, could have kept track of so many companies. "(Hecker) just kind of went overboard," Thompson said. "Sometimes, people take general ideas and push them too far because nobody is telling them not to. . .. It's at least a management problem, and possibly worse."

Hecker had employees, including attorneys and accountants, who managed it all. "So it wasn't Denny walking around trying to keep this all in his head," his lawyer Bill Skolnick said.

But the sheer complexity of Hecker's businesses might be a red flag for the investigators looking for signs of fraud.

"Why would you need so many entities? Is there a business purpose for that?" asked Diane Matson, a trained forensic accountant and associate professor at the University of St. Thomas.

The ownership structure of many of the businesses makes it difficult to tie the businesses to Hecker on their face. Numerous entities have similar names and seemingly similar purposes. Dozens start with either "Jacob" or "Sydney," the names of Hecker's youngest children.

The most troubling aspect to Hecker's vast empire, according to Matson, is that many companies were interconnected and doing business with each other.

Two companies — even if they are owned by the same person or entity — need to maintain a separation in order to retain the limited liability that

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is the hallmark of LLCs. "You have to make sure you're charging market rates," said Thompson, the St. Thomas business law professor. "If you don't, you're cheating one to protect the other."

PIGGY BANK

Allegations that Hecker used his companies as a piggy bank, siphoning money from some businesses to feed others — or enrich himself — have emerged over the years. But lawsuits from former dealership managers in 2002 and 2003 are particularly detailed in their accusations.

"The word 'siphoning' or whatever somebody else may call it, that's their allegation, and it's yet to be proven," Hecker said.

The money he collected was merely distributions of income that any owner of a business would expect, Hecker said.

The lawsuits by Patrick Ringold, who had been an executive manager at Southview Chevrolet in Inver Grove Heights, and Tom Palme, general manager at Hecker's Forest Lake Chrysler Plymouth, were both settled out of court and did not garner media attention at the time.

Both managers were paid six-figure salaries and had bonuses tied to the net profit of the dealership they ran. Both said in court documents that they were given an opportunity to buy an ownership stake.

But both lawsuits claimed the men — Palme quit and Ringold was fired, rehired and then quit — didn't get their fair share because Hecker manipulated the books and reduced the value of the dealerships.

Not true, Hecker told the Pioneer Press.

"Both of their claims are unfounded, and it was only one way for them to have an excuse for their poor (performance)," he said. "People tend to be angry when they lose a job that pays them a fortune to do almost nothing."

"My record stands on its own, with or without Denny Hecker," Ringold told the Pioneer Press last week.

"We did make good money, but we were entitled to it, " Palme said last week. Palme also said he has been interviewed by the IRS and the FBI in connection with their investigation of Hecker.

Both managers said Hecker required each dealership to pay his management company $100 or more for every car sold — referred to as a "Denny Hecker PAC" — but the payments weren't documented on the dealerships books.

Palme said his dealership was routinely overcharged by Hecker's management company, Walden Automotive Group, for insurance and bank fees.

But Hecker said the payments were merely management fees for corporate overhead costs such as accounting, banking, training, marketing and insurance. The fees were not "self-enriching," Hecker said.

Other allegations in the lawsuits include:

Hecker took money from Southview, purportedly for dealership expenses, but those expenses were either never paid or were "grossly exaggerated."

Southview was required to sell vehicles to other Hecker stores at a loss.

Walden Automotive charged the Forest Lake

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dealership for warranty fees, even though an accounting firm hired by Palme found the fees didn't show up on Walden's books. Hecker appeared to have received a kickback from the warranty company for each warranty sold.

Hecker sold the Forest Lake dealership's land and buildings to another company he owned but used an inflated appraisal — $2 million higher than what was on the dealership's books — to secure a much higher mortgage from Chrysler Financial.

Then Hecker sold the property to his company, WBDH Realty, and obtained a $3.1 million mortgage from Chrysler Financial. Most of that money appeared to be used by WBDH or other Hecker-controlled entities, a forensic accounting firm hired by Palme concluded.

While Palme claimed he didn't find out about some of the practices until after he quit, Hecker maintained that Palme not only knew of them but signed off on many.

The lawsuits were settled out of court, not because Hecker conceded, he said recently, but because the cost of settling was less than continuing to defend.

THE MISSING PIECE

By 2004, when the Pioneer Press did a profile on Denny Hecker's burgeoning empire, he was the third-biggest auto dealer in the Twin Cities. He claimed total annual sales from all his businesses of $5 billion, but because the companies were private, that figure cannot be verified.

Despite his success, Hecker seemed restless. He started a mortgage brokerage and invested in the Baja Fresh Mexican Grill fast-casual restaurant chain, as well as a couple of trendy spots in Minneapolis: Bellanotte (now closed) and Seven Sushi and Steakhouse (in bankruptcy).

He had bought lakeside property on Cross Lake in northern Minnesota in 2003. Two years later, according to county property records, he tore down an existing house and built the main house, which has five bedrooms, seven bathrooms, a theater and — mounted over the largest of five fireplaces — the head of a trophy American elk, according to pictures of the property. He added an outdoor pool, remodeled the guesthouses, and installed three docks with parking for 10 boats.

The property, referred to by Hecker associates and neighbors as "the compound," has an 11,438-square-foot main house and two adjacent guesthouses and is valued by the county assessor at $11.8 million.

He owned a succession of planes, most recently a 22-seat Bombardier private jet, which he used for business trips and family excursions to the Cross Lake property, their homes in Aspen, Colo., or Mexico and trips for gambling and shopping in Las Vegas.

George Bedich, a Las Vegas casino host for high-rollers, said Hecker was gambling big money — too big for Bedich — and he had to end the relationship.

"I couldn't service what he was accustomed to," Bedich said.

He made a run at becoming a limited partner in the Minnesota Vikings when Arizona businessman Reggie Fowler tried to put together a bid, but ended up dropping out.

And though he was best known as a car salesman, with his face plastered on billboards and bus sides and starring in his own television and radio commercials, that wasn't the image he embraced.

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"I really look at myself as an operator of several businesses. And quite frankly, I made most of my money buying and fixing broken businesses," he explained in an interview. "The car dealerships of late have just been kind of a vehicle that got me in motion to do all of the other deals, and I probably wasn't in love with the retail car business in the last five years as much as I should have been."

The rental car business was more appealing. He'd been providing vehicles to the industry through Rosedale Leasing for more than a decade. "I had a lot of experience in the car rental business. I knew a lot of the companies. I financed them," he said. "When Alamo National went bankrupt, I had 25,000 cars on lease to them."

Hecker had one of just a few companies that leased cars to the rental companies, he said.

In 2003, he had tried to get in with a California Thrifty Car Rental franchise. His attempt to purchase a 25 percent interest included a stipulation that Rosedale Dodge supply the franchise 85 percent of its fleet. Executives from Thrifty Rent-A-Car System Inc. rejected Hecker's ownership bid. Sourcing the franchise's fleet from Hecker and Rosedale was a conflict of interest, they said in a document included in a lawsuit against Hecker and his partners in the deal.

When Alamo National came out of bankruptcy, Hecker was "a small partner" with Cerberus, the private equity firm that owned the rental-car company, Hecker said.

In 2005, Hecker obtained ownership interests in Payless rental-car locations in Phoenix, Denver, Minneapolis and Fort Lauderdale, Fla. He also created PCR Venture Leasing LLC, which leased vehicles to Payless rental operators.

Buying a rental-car company seemed like the natural next step.

Then DaimlerChrysler came calling, Hecker said, with a proposition.

Advantage Rent A Car, in San Antonio, owed Chrysler Financial about $80 million, according to Hecker's attorney Skolnick. DaimlerChrysler wanted Hecker to buy the company and turn it around. Chrysler Financial would lend Hecker $500 million in exchange for a 30 percent stake, Hecker said.

"Chrysler made it so easy and the terms so great," Hecker told the Pioneer Press. "They were to be our extended partner in the deal. They made a deal at the time that I thought was so attractive that I couldn't refuse it."

Instead, Advantage became his undoing.

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