

## GE Slips Suit Alleging Role In \$3.6B Petters Ponzi Plot

By **Stephanie Russell-Kraft**

*Law360, New York (August 4, 2015, 3:32 PM ET)* -- A New York federal judge tossed a suit Tuesday alleging General Electric Capital Corp. knew about and helped facilitate the \$3.6 billion Ponzi scheme orchestrated by Tom Petters, finding that plaintiff Ritchie Capital Management LLC's claims lacked merit and were already covered by the Petters bankruptcy trustee.

U.S. District Judge Paul A. Engelmayer said GE had no duty to disclose what it knew about the Ponzi scheme being perpetrated by Petters since there was never any special relationship between the two companies.

According to Ritchie, GE became aware of Petters' Ponzi scheme in 2000 after he missed payments on two revolving lines of credit totaling about \$100 million. Ritchie, which says it lost \$157 million from its 2008 investments with Petters, said that GE chose not to disclose the fraud in order to ensure it would recover its investment.

"There is no direct relationship here," Judge Engelmayer wrote in his opinion. "Ritchie invested with Petters fully seven years after GECC ceased lending to Petters; Ritchie never had any contact or communication with GECC; and thus there was no relationship between Ritchie and GECC, let alone a special relationship of trust and confidence."

Judge Engelmayer also tossed Ritchie's claims of aiding and abetting fraud and civil conspiracy, finding not only that they lacked merit but also that nearly identical claims had already been hashed out in a Minnesota bankruptcy court by the Petters bankruptcy trustee.

"Ritchie's putative claims unavoidably have the same focus as the Petters trustee's claims," the judge wrote. "This confirms that only the Petters trustee has standing to bring these claims — claims that it brought, and settled."

Petters is serving 50 years in federal prison for swindling investors from 1995 to 2008 by claiming to make money reselling consumer electronics to big-box retailers such as Wal-Mart Stores Inc. and Costco Wholesale Corp.

Instead of executing any legitimate transactions, Petters forged business documents and diverted billions of investor dollars to bankroll his extravagant lifestyle and enrich his co-conspirators, according to his indictment.

Ritchie was one of four plaintiffs to sue GE after Petters' criminal trial in 2009.

GE tried consolidate those cases, but the U.S. Judicial Panel on Multidistrict Litigation in Florida **refused to do so**, ruling in February that although three of the cases shared factual issues as to when and how GE Capital became aware of the Ponzi scheme, they had "significantly different procedural postures." The fourth case was remanded to state court by a Minnesota judge.

Ritchie is represented by Leo V. Leyva of Cole Schotz PC.

GE is represented by Miles N. Ruthberg of Latham & Watkins LLP.

The case is Ritchie Capital Management LLC et al. v. General Electric Capital Corp., case number 1:14-cv-08623, in the U.S. District Court for the Southern District of New York.

--Additional reporting by Y. Peter Kang. Editing by Brian Baresch.

---

All Content © 2003-2015, Portfolio Media, Inc.