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Major law firm loses bid to dismiss $718M Ponzi lawsuit for Palm Beach Finance

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Paul Brinkmann

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A Palm Beach County bankruptcy judge has green-lighted a massive Ponzi scheme lawsuit against one of the biggest law firms in the United States – Fulbright & Jaworski.

Judge Paul Hyman declined to dismiss Palm Beach Finance's $718 million claim in a 12-page order dated Oct. 7. The malpractice suit alleges that Fulbright failed to advise the Palm Beach fund to file for bankruptcy following the explosion of the Tom Petters Ponzi scheme.

Hyman is also considering an objection to Fulbright recovering the fees it tried to charge Palm Beach Finance. Ultimately the lawsuit is not decided yet; the order only denies an attempt to throw out the suit.

The Petters fraud was exposed in October 2008. Palm Beach Finance funds were heavily tied to Petters' business, which turned out to be a fraud.

But it didn't file for bankruptcy until November 2009, more than a year later. When it did, Palm Beach Finance cited $1 billion in debts.

Two Miami powerhouse bankruptcy firms are involved. Michael Budwick of Meland Budwick, P. A., represents the fund receiver Barry Mukamal; Scott Baena of Bilzin Sumberg represents Fulbright.

Petters, of Minneapolis, is serving 50 years in prison for running the third largest Ponzi scheme in the nation. Like most Ponzi schemes, the Petters fraud prompted several related companies to file for bankruptcy.

Fulbright & Jaworski ranks 37th in the nation for number of lawyers. It is part of the international network of attorneys Norton Rose Fulbright.