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Petters Ponzi Trustee Sets $160 Million Liquidation

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Miami attorneys from Meland Budwick, P.A. helped craft a more than $160 million liquidation plan to repay victims of one of the largest Ponzi schemes in history.

Michael Budwick, Sol Genet and Peter Russin represent the trustee for two South Florida-based hedge funds that were major lenders to Petters Co. Inc., whose owner Tom Petters diverted the funds as part of a $3.65 billion fraud.

Palm Beach Finance Partners LP and Palm Beach Finance II LP suffered about $651 million in cash basis losses, the second-largest amount a lender lost in the scheme, according to a disclosure statement filed with the Jan. 15 bankruptcy liquidation plan in Minnesota. The funds lent about $8.6 billion and were paid about $8 billion.

The two hedge funds filed for Chapter 11 bankruptcy protection in the Southern District of Florida in 2009 after Petters' fraud was uncovered. Kapila Mukamal consultant Barry Mukamal in Miami was designated as trustee.

The proposed liquidation plan will substantively consolidate several debtors so they can pay victims from a single asset pool to avoid the risks and costs of further litigation while providing "fair, equitable and reasonable treatment to all creditors," according to the disclosure statement.

The debtors have $161.5 million in cash from avoidance actions and asset sales, including about $133 million in the Petters Group Worldwide estate and $26,000 in the Petters Co. Inc. estate. The debtors are still pursuing legal claims that are likely to increase the pool, the statement said.

> "The Chapter 11 liquidating plan proposed by Barry Mukamal along with the other major creditors in the PCI bankruptcy, as well as the PCI Chapter 11 trustee, is a watershed event in the Petters bankruptcy case," Budwick

> said in an email. “The parties met in mediation in early September and then continued to hammer out a consensual plan which will pave the way for a substantial recovery for the victims of the Petters Ponzi scheme, the third-largest fraud in United States history.”

Mukamal is now pursuing a conspiracy claim bankruptcy court against GE Capital Corp. “for its joinder and complicity in this massive fraud,” Budwick said. That case is before U.S. Bankruptcy Judge Paul Hyman in West Palm Beach.

Petters is serving a 50-year sentence at federal prison in Leavenworth, Kansas, for orchestrating the scheme. He was found guilty in 2009 of wire fraud, mail fraud, conspiracy to commit mail and wire fraud, conspiracy to commit money laundering and money laundering, according to the Justice Department.

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