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General Electric in $49 Million Settlement Over Petters Fraud

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General Electric Co on Tuesday reached a $49 million settlement to end a long-running lawsuit over its relationship with Thomas Petters, the Minnesota businessman serving a 50-year prison term for running a multibillion-dollar Ponzi scheme.

The settlement between GE and a trustee for two bankrupt Florida investment funds known as Palm Beach Finance, who was seeking $651 million, was filed with the federal bankruptcy court in West Palm Beach, Florida. Court approval is required.

GE denied liability in agreeing to settle claims related to its General Electric Capital unit, one of Petters' lenders. A spokeswoman, Jennifer Erickson, declined to comment.

The accord removes a financial overhang for Boston-based GE, which is trying to cut costs while projecting lower 2019 cash flow and profitability from its core industrial operations.

Petters, 61, was convicted in December 2009 on 20 counts including fraud and money laundering, over what prosecutors called a $3.65 billion fraud.

Prosecutors said Petters bilked investors who thought he was using their money to buy consumer electronics from wholesalers and resell them to big- box retailers such as Costco Wholesale Corp and Walmart Inc's Sam's Club.

Federal authorities raided Petters' offices in September 2008 and criminally charged him that December, the same month Bernard Madoff was charged over his own Ponzi scheme.

Barry Mukamal, the trustee for the Palm Beach Finance funds, said GE Capital knew

as early as 2000 about Petters' fraud, but kept quiet to ensure Petters would keep paying its fees.

U.S. Bankruptcy Judge Paul Hyman in June 2017 refused to dismiss the lawsuit, which accused GE Capital of conspiring to commit fraud.

GE had argued that only the trustee overseeing Petters' bankrupt companies could bring the conspiracy claim.

Hyman had previously dismissed eight other claims in the September 2012 lawsuit. The Palm Beach Finance funds filed for bankruptcy in November 2009.

Michael Budwick, a lawyer for Mukamal, said the failure of three of Petters' other lenders to recover anything from GE on similar "copycat" claims was a factor in deciding to settle, along with the death of a key witness.

> "Victims of Ponzi schemes should realize they can be successful pursuing recoveries against companies they consider financially responsible," Budwick, a partner at Meland Budwick, P.A., said in an interview.

Mukamal in 2015 reached a separate $16 million settlement with Bank of Montreal, whose Milwaukee-based unit Marshall & Ilsley also worked with Petters.

The case is In re: Palm Beach Finance Partners LP et al, U.S. Bankruptcy Court, Southern District of Florida, No. 09-bk-36379.

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