IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD 88 OF 2019 ( )

BETWEEN:

(1) RITCHIE CAPITAL MANAGEMENT L.L.C.
(2) RITCHIE CAPITAL MANAGEMENT SEZC, LTD.
(3) RITCHIE RML TRADING, LTD.
(4) RITCHIE SPECIAL CREDIT INVESTMENTS, LTD.
(5) RHONE HOLDINGS II. LTD
(6) RITCHIE STRUCTURED MULTI-MANAGER, LTD.
(7) YORKVILLE INVESTMENTS I, L.L.C.

Plaintiffs

AND

(1) LANCELOT INVESTORS FUND, LTD. (IN OFFICIAL LIQUIDATION)
(2) GENERAL ELECTRIC COMPANY

Defendants

WRIT OF SUMMONS

TO: LANCELOT INVESTORS FUND, LTD (IN OFFICIAL LIQUIDATION)
c/o Duff & Phelps (Cayman) Limited, P.O. Box 30869, Suite 2206, Cassia Court, 72 Market Street, Camana Bay, Grand Cayman, KY1-1204, Cayman Islands

TO: GENERAL ELECTRIC COMPANY
c/o C T Corporation System, 155 Federal Street, Suite 700, Boston, Massachusetts, United States 02110

THIS WRIT OF SUMMONS has been issued against you by the above-named Plaintiffs in respect of the claim set out on the next page.

Within 14 days (or, if leave is required to effect service out of the jurisdiction, such time as may be fixed by the Court) after the service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Court Office, P.O. Box 495G, George Town, Grand Cayman, the accompanying Acknowledgment of Service stating therein whether you intend to contest these proceedings.

THIS WRIT was issued by Carey Olsen, attorneys for the Plaintiffs, whose address for service is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands (ref: SD/PS/AD/1060969).

If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

Issued this 21st day of May 2019.

NOTE - This Writ may not be served later than 4 calendar months (or, if leave is required to effect service out of the jurisdiction, 6 months) beginning with the date of issue unless renewed by order of the Court.

IMPORTANT

Directions for Acknowledgment of Service are given with the accompanying form.

THIS WRIT was issued by Carey Olsen, attorneys for the Plaintiffs, whose address for service is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands (ref: SD/PS/AD/1060969).

STATEMENT OF CLAIM

A. INTRODUCTION

1. By these proceedings, the Plaintiffs make the following claims:

   (a) Against the First Defendant ("**Lancelot Cayman**"):

      (i) Damages for deceit in respect of Lancelot Cayman's fraudulent representations regarding:

         (A) the operation of a "*lockbox*" arrangement, which purportedly secured all investments made by the Plaintiffs in the Lancelot group but which Lancelot Cayman knew was being circumvented as part of a largescale fraud perpetrated by Mr Thomas Petters ("**Mr Petters**"); and

         (B) its monitoring of Mr Petters' operations which did not in fact take place due to Lancelot's knowledge of and participation in Mr Petters' fraud; and

      (ii) Damages for conspiring with Mr Gregory Bell ("**Mr Bell**"), Lancelot Investment Management LP (formerly Lancelot Investment Management LLC and formerly Granite Investment Management LLC) ("**Lancelot Management**"), Mr Petters and Petters Group companies to injure investors and, in particular, the Ritchie Group.

   (b) Against the Second Defendant ("**GECC**") the Plaintiffs make the following claims for damages:

      (i) for deceit in respect of the false representations made in a letter of 4 January 2000 (which was never withdrawn), which letter constituted a glowing reference for Mr Petters intended to be circulated to investors and never withdrawn by GECC; and

This STATEMENT OF CLAIM was filed by Carey Olsen, attorneys-at-law for the Plaintiffs, whose address for service is Level 1, Willow House, Cricket Square, Grand Cayman, Cayman Islands KY1-1001 (ref: SD/PS/AD/1060969).

(ii) for embarking on a continuous and inevitably escalating conspiracy with Mr Petters and Petters Group companies and/or persons unknown and/or subsequently joining the same such as Mr Bell, Lancelot and Lancelot Cayman to injure investors and, in particular, the Ritchie Group by defrauding them, from which conspiracy GECC never withdrew.

B. PARTIES

(1) Ritchie Group

2. At all material times:

(a) The Plaintiffs were members of the Ritchie group of funds and investment managers (other than the Seventh Defendant, which is an investment vehicle owned and managed by Mr Thane Ritchie and his family) (the "**Ritchie Group**").

(b) The First Plaintiff ("**RCM LLC**") and the Second Plaintiff ("**RCM Ltd**", together, "**RCM**") were investment managers organised in the Cayman Islands. Mr Thane Ritchie ("**Mr Ritchie**") was the director and principal of RCM.

(c) The Third Plaintiff ("**RML**"), the Fourth Plaintiff ("**Special Credit**"), the Fifth Plaintiff ("**Rhone**") and the Sixth Plaintiff ("**RSMM**") were private investment funds that invested in illiquid alternative assets and were sponsored and managed by RCM.

(d) Pursuant to written investment management agreements, RCM managed investment decisions on behalf of the Third to Sixth Plaintiffs.

(e) The Seventh Plaintiff ("**Yorkville**") was an investment fund owned and managed by Mr Ritchie and the Ritchie family.

3. Special Credit is the surviving company of a merger between Special Credit, Ritchie Capital Structure Arbitrage Trading, Ltd. ("**Capital Structure**") and another entity pursuant to Part XVI of the Companies Law (2013 Revision) which became effective on 1 April 2014.

4. RSMM is the surviving company of a merger between RSMM and Ritchie Multi-Manager Trading, Ltd. ("**RMM**") pursuant to Part XVI of the Companies Law (2013 Revision) which became effective on 1 April 2014.

5. Pursuant to written investment management agreements, RCM managed investment decisions on behalf of the Third to Sixth Plaintiffs, and together with Mr Ritchie made, *inter*

alia, decisions on behalf of the Third to Sixth Plaintiffs to make and retain and dispose of investments.

6. The knowledge, beliefs and intention of Mr Ritchie and of RCM are to be attributed to all of the Plaintiffs.

7. In addition to the Plaintiffs, RCM managed investment decisions on behalf of a number of other private investment funds including RTL Options Ltd. ("**RTL**") and RMM. The knowledge, beliefs and intention of Mr Ritchie and of RCM are also to be attributed to these entities.

(2) Petters Group

8. Thomas Petters is a former resident of Wisconsin USA and the founder of the Petters group of companies ("**the Petters Group**") and was in control of the members of the Petters Group.

9. At all material times, the Petters Group included:

   (a) Petters Company Inc. ("**PCI**"), a Minnesota corporation;

   (b) Petters Group Worldwide LLC ("**PGW**") a body corporate with limited liability incorporated in Delaware;

   (c) RedTagBiz Inc., formerly RedTagBiz.com Inc. ("**RedTag**"), a body corporate with limited liability incorporated in Minnesota;

   (d) Petters Capital, Inc. ("**Petters Capital**"), a body corporate with limited liability incorporated in Minnesota; and

   (e) Thousand Lakes LLC ("**Thousand Lakes**"), a body corporate with limited liability established under the laws of Delaware.

10. The knowledge and intention of Mr Petters is to be attributed to all members of the Petters Group.

11. On 2 December 2009, Mr Petters was convicted by the US District Court for the District of Minnesota of fraud, money laundering and conspiracy and on 8 April 2010 was sentenced to fifty years in prison. On 29 September 2010, PCI and PGW each pleaded guilty to wire fraud, conspiracy to commit mail and wire fraud, and conspiracy to commit money laundering.

12. The Petters Group companies were established for the purposes of carrying out a substantial fraud. The Plaintiffs will say that in the circumstances the corporate veil of each Petters Group company should be disregarded such that all the transactions of companies within the Petters Group should be treated as having been made by Mr Petters, the knowledge and intention of each company was that of Mr Petters and that dealings of a Petters Group company with GECC and/or Mr Bell were also the dealings of Mr Petters.

(3) Lancelot Cayman

13. Lancelot Cayman is a Cayman Islands exempt company. It was established in 2001 under the name Granite Investors Fund Ltd, and was renamed in October 2002 as a member of the Lancelot group of funds (the "**Lancelot Funds**").

14. Lancelot Cayman is currently in official liquidation in the Cayman Islands, the joint official liquidators of Lancelot Cayman are Geoff Varga and Mark Longbottom (the "**Lancelot JOLs**"). There is a concurrent bankruptcy in the US under Chapter 7 of the Bankruptcy Code and a protocol has been agreed between the Grand Court and the relevant Court in the US.

15. The Lancelot Funds were founded by Mr Bell, an associate of Mr Petters, between 2001 and 2003 and were comprised of three different funds:

    (a) Lancelot Investors Fund LP ("**Lancelot I**") a "*3C1 fund*" being one that was established under the US Investment Companies Act 1940 for "*accredited investors*";

    (b) Lancelot Investors Fund II LP ("**Lancelot II**") was a "*3C7 fund*" being one that was established under the US Investment Companies Act 1940 for "*qualified institutional investors*"; and

    (c) Lancelot Cayman was a Cayman based fund designed for US tax exempt investors.

16. Each of the Lancelot Funds was managed by Mr Bell through Lancelot Management. Lancelot Management was also the general partner of the Lancelot I and Lancelot II.

17. The general partner of Lancelot Management was Lancelot Management Inc. which was 100% owned by Mr Bell.

18. At all material times, Mr Bell was the directing mind and will of the Lancelot Funds and of Lancelot Management and/or the agent of the Lancelot Funds in its dealings with the Petters Group and/or the Plaintiffs. In particular:

    (a) Mr Bell made all significant decisions for the Lancelot Funds, including but not limited to, all investment decisions, all investment allocation decisions and all significant operational and personnel decisions.

    (b) He was primarily responsible for soliciting investment in the Lancelot Funds and would often meet with investors and attempt to persuade them to invest in those Funds.

    (c) Mr Bell was in regular contact with the Petters Group and with Mr Petters with respect to the promissory notes acquired by the Lancelot Funds.

19. In the premises, the knowledge and intention of Mr Bell is to be attributed to the Lancelot Funds.

20. As pleaded in further detail below, the ostensible business of Lancelot Cayman was to make short term loans to Thousand Lakes. The loans made by Lancelot Cayman to Thousand Lakes were made in consideration for promissory notes expressed and/or represented to the holders to be secured by a charge over certain accounts receivable owned by Thousand Lakes.

21. As pleaded below the real business of the Petters Group and Lancelot Funds including Lancelot Cayman was to operate as part of a Ponzi scheme fraudulently to abstract funds from investors. Funds solicited from new investors enabled the Lancelot Funds to continue to survive for that purpose and to meet the redemptions demands of exiting investors which could not be met from genuine receivables from Thousand Lakes. In promoting that Ponzi scheme and soliciting investment both for the Lancelot Funds and Mr Petters, Mr Bell was acting on behalf of Lancelot Cayman.

22. The Plaintiffs will say that, because the Lancelot Funds and Lancelot Management were established for the purposes of operating a fraudulent Ponzi scheme, the corporate veil of the Lancelot Funds and Lancelot Management should be disregarded such that the knowledge and intention of each company was that of Mr Bell and that dishonest dealings between Mr Bell and Mr Petters were also dealings by the Lancelot Funds and Lancelot Management with Mr Petters.

(4) GECC

23. GECC is a corporation organised under New York law with its principal place of business in Boston, Massachusetts. GECC is the surviving entity of a merger that took place on 2 December 2015 between GECC and General Electric Capital Corporation. In this Statement of Claim, "GECC" refers to General Electric Capital Corporation prior to the merger. At all material times, GECC:

    (a) was the financial services unit of the American multinational conglomerate General Electric;

    (b) provided commercial and corporate lending and leasing, as well as a range of financial services;

    (c) in particular, was the lender pursuant to a US$50 million credit agreement with Petters Capital (entered into in March 1998) ("**GECC–Petters Agreement**"), and a US$55 million credit agreement with RedTag (entered into in 1999) ("**GECC-RedTag Agreement**").

24. One Richard Menczynski ("**Mr Menczynski**") was an Assistant Vice President at GECC and, until September 2000, the primary account manager for the credit relationship between GECC and the Petters Group. Mr Menczynski left GECC in 1998 but returned in March or April 1999 before finally leaving GECC in or around September 2000. After September 2000, Mr Menczynski left GECC to become the "*Vice President of Finance*" at RedTag and was replaced at GECC by one Jack Morrone ("**Mr Morrone**").

25. Mr Morrone was an assistant underwriter, business analyst and associate for GECC between 1997 and 2002. At all material times, he reported to Mr Paul Feehan:

    (a) Mr Morrone was the primary account manager for the RedTag credit line in or around September 2000.

    (b) After Mr Menczynski left GECC for RedTag, Mr Morrone took over as the primary account manager for the GECC's relationship with Mr Petters.

26. At all material times, one Paul Feehan ("**Mr Feehan**") was an employee of GECC:

    (a) He was hired in June 1987 as an auditor on the Investment Analyst staff.

(b) Between 1996 and July 2001, he was senior Vice-President in the Risk and Underwriting/Credit group.

(c) Between July 2001 and January 2006, he was a senior vice-president in the Global Sponsor Finance Unit.

(d) Between January 2006 and December 2008, he was the Senior Director of GECC's Central Region.

27. One Jim Ungari ("**Mr Ungari**") was the Managing Director of Portfolio Operations for GECC. In that capacity he was responsible for managing GECC's loan portfolio and for monitoring and managing loans that the underwriting department had approved.

C. RELATIONSHIP BETWEEN MR PETTERS AND GECC

(1) Mr Petters' Fraud

28. From at least 1995, Mr Petters and/or the Petters Group raised substantial sums of money through a fraudulent scheme which operated essentially as follows:

(a) Mr Petters borrowed money from lenders or sought investment by representing that the monies borrowed or invested would be applied in financing purchase and sale transactions;

(b) Mr Petters claimed to arrange "*diverting transactions*" whereby surplus stock of consumer electronics would be purchased from manufacturers or suppliers, having been pre-sold to certain "*big box*" retailers such as Costco, Sam's Club and BJ's Wholesale Club;

(c) The ostensible purpose of the financing provided by lenders or investors was to allow Mr Petters the time and ability to pay the suppliers for the surplus stock while he awaited payment from the big box retailers;

(d) For each chain of transactions Petters generally represented to investors that:

(i) PCI or a similar Petters Group Company had the benefit of a purchase order allegedly issued by a "big-box" retailer;

(ii) A special purpose vehicle ("**SPV**") (e.g. Petters Capital) was designated to acquire such aforesaid purchase order;

(iii) The SPV would obtain a lien or security interest in the merchandise or its proceeds;

(iv) Payments in respect of the purchase order were made by the retailers direct to a "*lockbox*" account; and

(v) The SPV would issue promissory notes to investors.

(e) The "lockbox" arrangement, if genuine, would have enabled the SPV to acquire effective security over the purchase order related contract/property rights from PCI:

(i) the SPV would have a properly perfected security interest in the merchandise or the proceeds, if PCI had pre-sold that merchandise to the relevant retailer prior to its delivery to the retailer;

(ii) the retailer would pay the price reflected in the purchase order into a designated lockbox account maintained by the SPV with a regulated financial institution;

(iii) the lockbox account of the SPV was restricted so as not to be accessible by Mr Petters or by the Petters Group; and

(iv) the monies in the lockbox account would instead be drawn by, and flow directly to, investors or lenders to pay the debts evidenced by the promissory notes issued by the SPV.

(f) Mr Petters represented he would also provide lenders or investors with a number of documents to support the transaction, typically including:

(i) purchase orders issued by the big box retailer to PCI;

(ii) bills of sale, or other instruments reflecting PCI's purchase of merchandise from suppliers;

(iii) delivery notes or bills of lading to reflect delivery of the merchandise to the retailer; and

(iv) invoices issued by the SPV to the retailer.

29. Mr Petters was insistent that investors should not have direct contact with big box retailers or the surplus inventory suppliers. Accordingly, investors were reliant upon the honesty of Mr

Petters and his credibility when deciding to invest. In order to bolster that credibility and to solicit investment, Mr Petters would often provide investors with letters of recommendation from reputable lenders, which supported his honesty and integrity.

30. By soliciting loans from funds such as the Lancelot Funds and Palm Beach Finance Partners LP, Mr Petters also ensured that the investors in those pooled investment vehicles (or the related lenders and loan originators), which were extending the loans, would not themselves expect to see the documents which supported the purchase order financing transactions (such as purchase orders, proofs of delivery or invoices) and that they would also not themselves expect to monitor the operation of the lockbox arrangements (because all monitoring was to be performed by affiliates of the loan originator) or he rendered it less likely that they would do so.

31. In fact, Mr Petters' business was a fraudulent enterprise.

(a) There was very little actual merchandise acquired by PCI and very few purchases were genuinely made by the big box retailers.

(b) Lenders and investors were falsely led to believe that they had been repaid with the cash proceeds of authentic accounts receivable from retailers owned by the SPV.

(c) In fact, the monies used to repay lenders and investors were derived from loans made to other SPVs by other (defrauded) loan originators.

(d) Loans were made in return for promissory notes which were falsely represented to lenders and investors to be secured on third party receivables.

(e) The receivables were falsely represented to lenders and investors as being evidenced by forged purchase orders, bills of lading, invoices and other transaction documents.

(f) The documents provided as evidence of the transactions with the suppliers and the retailers were forged by Mr Petters.

(g) Rather than independently checking transactions or the operation of the lockbox arrangements on behalf of the investors and lenders, such as the Plaintiffs, Lancelot Management was complicit with Mr Petters and, took steps to help Mr Petters conceal the fraud.

(h) Investors who occasionally inspected the facilities of the Petters Group were shown warehouses that purported to be staffed and to be processing inventory.

(2) GECC's Introduction to Mr Petters and the Petters Facility

(i) GECC's Due Diligence on Customers and Counterparties

32. At all material times, GECC maintained internal guidelines and policies for its operations. In particular, GECC maintained a code of conduct entitled "*Integrity: The Spirit and Letter of Our Commitment*" governing the conduct of its employees. For example, in 2005, GECC employees were required by the then published policy to:

(a) comply with the "*spirit*" of the policy;

(b) "*Raise your voice: ... If you have a concern about compliance with GE policy, you have a responsibility to raise that concern*":

(c) investigate issues relating to Integrity and to take "*Corrective Action*";

(d) "*conduct business only with reputable customers involved in legitimate business activities with funds derived from legitimate sources*".

33. Accordingly, where GECC knew or suspected that an individual or company with whom they did business was engaged in fraudulent activities, GECC's own internal code of conduct required employees to investigate those activities with a view to taking corrective action based on the outcome of that investigation.

34. For reasons set out below, GECC came to know or suspect that Mr Petters was involved in fraudulent activity. It is to be inferred that, in addition to its initial due diligence, GECC did then also conduct an investigation into Mr Petters and the Petters Group or, if it did not do so, it chose not to do so because it knew of, or had decided to turn a blind eye to, Mr Petters' fraudulent behaviour.

(ii) Kroll Report

35. In or around 1997, GECC and Mr Petters began communicating with a view to GECC providing financing for Mr Petters' operations. It was envisaged by both parties that PCI would borrow US$50 million from GECC on a revolving basis in order to fund the purchase of televisions and other consumer electronics for resale to "*big box*" retailers.

36. Following receipt from Mr Petters of a "*pitch*" document, one Pete Keenoy, an executive at GECC, made a limited recommendation in respect of Mr Petters' application on or about 23 February 1998.

(a) He noted that ongoing "*Due Diligence on financings is NOT optional. CF personnel must perform diligence via IA group [GECC's internal auditors] and not rely 100% on the Borrower*".

(b) This was in accordance with standard US practice which, as at 1997/1998 included ongoing due diligence as one of the main elements of a Bank Secrecy Act Anti-Money Laundering compliance programme as described in the Bank Secrecy Act manual.

(c) Mr Keenoy's initial recommendation dated 23 February 1998 was that any facility be limited to US$25 million and that his approval would be conditional on GECC personnel performing ongoing due diligence on financings and monitoring Mr Petters' use and repayment of the funds.

37. As part of GECC's due diligence, GECC hired Kroll Inc., a leading risk management firm, to prepare a report on Mr Petters and his activities. The Kroll report, dated 9 March 1998, noted that:

(a) Mr Petters had significant criminal history including:

(i) an arrest in 1983 for issuing a bad cheque in Colorado;

(ii) the issue of a Colorado bench warrant in 1989 for his arrest for failing to satisfy a judgment against him;

(iii) the issue of a Minnesota arrest warrant in 1990 related to the issuing of bad cheques; and

(iv) an outstanding felony warrant against Mr Petters in Colorado for "*second-degree*" forgery.

(b) Mr Petters had been the subject of a number of allegations and findings of dishonesty and forgery including:

(i) a finding by a US court in 1991 that he had acted in bad faith in falsely alleging that a case had been settled when it had not been; and

(ii) findings in a judgment against Mr Petters for failure to deliver merchandise having falsely claimed to have sent funds for the merchandise and suspected of having doctored or fabricated a Fed-Ex airbill to support his claim.

(c) Mr Petters had previously filed for Chapter 7 bankruptcy in the United States; and

(d) Mr Petters had lied to creditors and engaged in at least two instances of forgery.

(iii) GECC Proceeds despite further warnings

38. Following receipt of the Kroll report, in or around late March 1998, GECC nevertheless decided to proceed and negotiate a funding facility.

39. Before GECC agreed to a loan facility with PCI, one Catharine Midkiff ("**Ms Midkiff**"), the then "*Senior Vice President of Risk and Underwriting*" at GECC, added a handwritten note to the closing memorandum dated 26 March 1998 stating that:

> *"I wish to establish clearly and on the record that I do not support this transaction. I believe that the additional controls will largely prevent the opportunity for GE Capital's money to be used improperly but I do not approve of being in business with a person who has previously demonstrated a lack of integrity."*

40. Despite the Kroll report and Ms Midkiff's warning, GECC entered into a US$50 million revolving credit facility (the "**Petters' Facility**") with PCI on 26 March 1998.

41. Prior to the conclusion of the Petters Facility, Mr Petters and/or the Petters Group had represented that the security arrangements for GECC would operate as follows:

(a) A lien over the merchandise purchased by Mr Petters was to serve as collateral for the loan by GECC until retailers paid their purchase orders.

(b) PCI, through Mr Petters, represented to GECC that PCI had the benefit of purchase orders from a Costco subsidiary, National Distributors.

(c) In return for the finance under the Petters Facility, PCI pledged to GECC its receivables from National Distributors.

(d) National Distributors and/or Costco were instructed to make their payments directly to a GECC "lockbox" account.

42. Under the Petters Facility a number of controls were imposed to ensure that GECC would only permit drawdowns once it had sufficient credible information on the use of funds:

(a) Funds advanced by GECC could only be used to buy merchandise from suppliers.

(b) The Petters Facility was to be repaid from the sale of the merchandise.

(c) GECC would approve drawdowns on the facility by PCI, at its sole discretion, on a transaction-by-transaction basis.

(d) GECC would only consider deals in which PCI had:

(i) already purchased the merchandise; and

(ii) pre-sold the merchandise at an acceptable profit level;

(e) PCI was required to submit a due diligence package including copies of supporting documents (i.e. bills of sale, purchase orders and bills of lading).

(f) In particular, PCI was required to provide GECC with an acknowledgement letter with respect to the lockbox account signed by the retailer in which the retailer:

(i) agreed to transmit payment for the merchandise it purchased from Petters Capital into the GECC-controlled lockbox and blocked account; and

(ii) acknowledged that it could be held liable by GECC if the retailer made payment other than directly into the GECC-controlled lockbox and blocked account.

(g) Retailers were required to transmit or pay for the merchandise into the GECC controlled *lockbox* account.

(h) Neither PCI nor Mr Petters would have any signature authority over the lockbox account so as to ensure that GECC retained full control of the cash paid by the retailers.

(i) PCI was prohibited from:

(i) borrowing any monies from other lenders absent a written subordination agreement executed by GECC; or

(ii) financing the purchase of any merchandise with any lender other than GECC.

43. The Petters Facility was highly profitable to GECC.

(a) In return for the Petters Facility GECC was to receive:

(i) interest;

(ii) success fees on each transaction;

(iii) inventory loan fees;

(iv) collateral monitoring fees; and

(v) fees for non-use of available funds.

(b) Although the success fee varied depending upon the nature of the transaction, it was typically 10%-30% of the "*profit*" made by PCI on the sale.

(c) It is to be inferred that the success fee represented a significant inducement to GECC to enter into and to continue with the Petters Facility.

44. The size of the US$50 million line of credit provided to Mr Petters was substantial to GECC and the failure by Mr Petters or PCI to pay those fees would have represented a substantial loss to GECC.

45. On 10 March 1998 GECC filed a UCC-1 with the Minnesota Secretary of State to perfect its security interest in the assets of PCI.

(3) The Red Tag Facility

46. In 1999, GECC established another US$55 million revolving credit facility with RedTag (the "**RedTag Facility**").

47. Mr Petters represented to GECC that the RedTag Facility was needed in order to finance the purchase of electronic merchandise over the Internet.

48. Accordingly, as at 1999, GECC's aggregate exposure to Petters Group entities was US$105 million.

(4) The "To Whom It May Concern" Letter

49. On 4 January 2000 GECC's Assistant Vice-President Richard Menczynski wrote a recommendation letter or reference on behalf of GECC praising Mr Petters and PCI. The letter was addressed simply to "*To Whom It May Concern*" (the "**To Whom It May Concern Letter**") and stated:

> *"for the purposes of a personal and business reference on Mr Thomas J Petters. Petters Capital ("Petters") and General Electric Capital Corporation ("GE Capital") closed a US$50m Senior Secured Revolving Credit Facility on March 26, 1998.*
>
> *During this time the transactions under the Credit Facility have performed well and Petters continues as an excellent customer.*
>
> *On a personal level I have known Mr Petters for a little over two years and have found him to be of a high character and possessing strong moral values."*

50. The To Whom it May Concern Letter also impliedly represented that:

(a) Mr Petters had been a substantial and valued counterparty of GECC for a period of about two years; and

(b) throughout his business dealings with GECC, Petters had been honest and had met his obligations.

51. GECC knew that the purpose of the To Whom It May Concern Letter was for it to be used by Mr Petters when seeking out investment or finance. Without prejudice to the generality of the foregoing, such knowledge is to be inferred from the following:

(a) GECC addressed the letter "*To Whom It May Concern*" rather than to any specific individual (contrary to GECC's general practice).

(b) GECC knew that the To Whom It May Concern Letter would be used to make the express and implied representations set out above.

(c) Mr Petters had expressly requested the To Whom It May Concern Letter in order to assist him in obtaining credit in the form of further loans and investments.

(d) It was therefore obvious that Mr Petters would disseminate the To Whom it May Concern Letter to investors and lenders.

52. GECC knew and/or understood when providing the To Whom it May Concern Letter that Mr Petters would continue to use it for as long as possible in the manner aforesaid to make the representations set out above.

53. Further by reason of the aforesaid Mr Petters had authority to provide the To Whom It May Concern Letter to other investors and lenders and/or it constituted a direct representation by GECC to the recipients of the Letter as long as GECC did not withdraw the same.

54. In the premises, GECC is to be taken to have intended that the To Whom it May Concern Letter would be used to make the said express and implied representations about Mr Petters to investors and lenders.

(5) GECC's Discovery of Mr Petters' Fraud

55. In light of the Kroll Report and in light of the matters particularised below, GECC knew by the end of 2000 that the credit facilities extended to the Petters Group were not operating satisfactorily and/or Mr Petters had proved himself to be untrustworthy and/or had acted dishonestly.

(i) Operation of the Facility

56. The Petters Facility had been operated in a manner that was highly suspect and fundamentally at variance with its terms or the existence of GECC's security interest:

(a) The payment activity on the account was inconsistent with the terms stipulated in the acknowledgement letters purportedly signed by Costco as PCI's account debtor.

(i) An internal memorandum of GECC of 3 July 2000 headed "*Petters Inventory Financing Request*" noted that the due diligence for Petters' deals with Costco generally included receiving:

> *"signed acknowledgement letters from National Distributors-Costco Companies, Inc. instructing payment in GE Capital's lockbox and blocked account ... Although Costco signs the acknowledgement letters, they historically have not paid GECC directly."*

(ii) The failure to pay GECC directly was a breach of the lockbox arrangement.

(b) Even if there had been genuine purchase orders, the failure to operate the lockbox account cast doubt on the effectiveness of GECC's security for repayment of the Petters Facilities or the Red Tag Facility.

(c) Instead of ensuring that the lockbox arrangement was operated properly, GECC appears to have abandoned it.

(d) Furthermore, the supporting documentation provided to GECC was suspect and inconsistent with these documents being genuine:

(i) Notwithstanding the fact that Mr Petters, rather than Costco made payments into the lockbox account, each acknowledgement provided to GECC purportedly signed by Costco, agreed to pay GECC directly.

(ii) Accordingly, a reasonable person in the position of Mr Morrone and Mr Feehan's would have seen inconsistent acknowledgements which, if genuine, would have subjected Costco to double payment liability.

(iii) The payments provided by Mr Petters were not in the amounts of the receivables based on the formula in the Costco purchase orders and were instead paid in rounded amounts by multiple cheques.

(e) In accordance with the controls placed on Mr Petters and the Petters Group, PCI was prohibited from borrowing funds from any lender other than GECC. However, GECC abandoned this safeguard:

(i) In or around 1999, despite the terms of the Petters Facility PCI and Mr Petters had began to borrow funds from private investors, other than GECC (the "**Additional Investors**").

(ii) The Additional Investors were paid high rates of interest to purchase merchandise which was represented to be sold to a retailer generating a receivable.

(iii) GECC then advanced funds under the Petters Facility in order to pay off those investors.

(iv) These changes were documented in a letter executed by PCI and GECC which did not otherwise change the other terms of the Credit Agreement, including the cash controls and due diligence requirements such as acknowledgement letters from the purchasers.

57. Notwithstanding the controls placed on PCI, GECC failed to verify its collateral by communicating directly with retailers and instead accepted acknowledgment letters from PCI.

(a) GECC had an existing lending relationship against Costco accounts receivable owed to other non-Petters affiliated vendors in which Costco *did* directly remit payment to GECC. However, GECC never sought or received an explanation as to why, in this instance, Costco did not do so.

(b) The Plaintiffs will rely on GECC's failure to communicate directly with retailers in support of the allegation that GECC knew or decided to turn a blind eye to Mr Petters' fraudulent activities.

58. In the premises, it is to be inferred that from about the end of 1999, GECC knew or suspected that the Petters Facility was not operating to finance diverting transactions with Costco but was instead being used by Mr Petters as part of a fraud on investors.

(ii) Internal Views on Petters: June to August 2000

59. An internal memo dated 12 May 2000 from Mr Feehan to Mr Ungari recorded that:

> *"...for the first year or so after closing [Petters] never used [GECC's] line [because GECC's] approval requires [GECC] to physically inspect any goods that we are financing ... [which was] problematic for Petters..."*

60. It is to be inferred from Mr Feehan's statement that, at all material times, and, at any rate, by 12 May 2000, GECC was aware or suspected that there were no actual goods being financed as was in fact the case.

61. On 8 June 2000, when Mr Ungari learned that a Mr Donnelly, the head of GECC's Problem Loan Workout Group, had met with Mr Petters to hear Mr Petters make a pitch for further, Mr Ungari asked Mr Donnelly to meet him in his office ensuring they were alone. Mr Ungari then warned Mr Donnelly not to do business with Mr Petters saying that "*if I ever see you talking with [Petters] again or dealing with him in any way you're fired*".

62. On 22 June 2000, PCI made a request to GECC to drawdown a further US$4 million at a time when US$37 million was due under the Petters Facility. At around the same time, GECC, through Mr Feehan in particular, was aware that the lockbox system was not working and that payments were being made by PCI from its own accounts and not by big box retailers.

63. On 23 June 2000, Mr Feehan, concerned at the level of GECC's exposure to Mr Petters and the Petters Group, informed Mr Petters by telephone that PCI would be required from then on to endorse and forward to GECC every future payment cheque from the retailers on all GECC financed deals and not to deposit these cheques into a PCI account.

64. Mr Petters did not comply with this instruction and instead continued to issue cheques from PCI accounts. GECC took no steps to seek payment directly from Costco or any other retailer of Petters.

65. On 25 August 2000, following a request by RedTag to draw down under its facility, Mr Feehan informed Mr Morrone that the proposed deal sounded "*shady*". Mr Feehan was concerned that the deal, which contemplated financing RedTag on a Friday for a deal which would be closed on the Monday but for which there was, as yet, no ascertained buyer, was "*too good to be true*". It is to be inferred that Mr Feehan knew or suspected that the deal was fraudulent.

(iii) Demand for Repayment

66. By September 2000, PCI had continued to fall behind in its repayments.

67. Although Mr Petters made a number of excuses to Mr Feehan and GECC for PCI's failure to make payment, these were rejected by GECC. Accordingly, on 25 September 2000 a "*payout letter*" was issued by GECC.

68. On 9 October 2000, GECC and PCI entered into an agreement to bring an end to the Petters Facility. Under this agreement:

(a) PCI would pay US$45,891,229.62 to GECC on 27 October 2000 by way of final payment; and

(b) Following receipt of this payment, the PCI debts would be deemed satisfied and the Petters Facility would come to an end.

69. As set out below, Mr Petters initially sought to make payments first using cheques which were dishonoured when presented. PCI ultimately repaid the Petters Facility by a series of wire transfers by 8 December 2000.

(iv) GECC Makes Direct Contact with Costco and Discovers False Purchase Orders

70. By October 2000, a number of purported purchase orders from National Distributors and/or Costco were overdue. PCI represented to GECC that it was expecting payment from Costco and forwarded a number of National Distributor purchase orders to GECC.

71. Given the "*past due*" or overdue status of these orders, on or around 23 October 2000, GECC sent a standard letter to National Distributors/Costco, seeking audit confirmation of a series of purchase orders with invoice due dates between August and October 2000.

72. This was the first time that a letter had been sent directly to National Distributors/Costco in relation to the Petters Facility. Such a letter had previously been sent to PCI who had forged the signatures of the relevant National Distributors/Costco representatives.

73. On 24 October 2000, Mr Feehan decided to contact Costco by telephone in order to confirm the status of these purchase orders and to verify that Costco was in fact delinquent in payment.

74. It is to be inferred that the reason for this contact was because he (and, by extension GECC) knew or suspected that the purchase orders were or may have been fraudulent.

75. When Mr Feehan spoke to a Mr Hulsey, an employee of Costco, he was told that Costco did not recognize any of the purchase orders that had been given to Mr Feehan by PCI and that "*they're not valid orders, these are counterfeit orders*". GECC then forwarded the documents to Costco who, in turn, confirmed that the documents were not genuine.

76. Following his conversation with Mr Hulsey, Mr Feehan reported what he had learned to other GECC employees including Mr Ungari.

(v) GECC Confronts Mr Petters

77. The events immediately following this call are not within the Plaintiffs' knowledge. The account given by Ms Deanna Coleman was that Mr Feehan (or another employee at GECC) then attempted to call Mr Petters and, after failing to reach him, spoke to Deanna Coleman of PCI and informed her that he was trying to reach Mr Petters because GECC had just learned that the Costco Purchase Orders were fake.

78. Alternatively, Mr Feehan's account was that immediately following his call with Costco, Mr Petters telephoned Mr Feehan whom he described as being "*out of control*".

79. In any event, Mr Feehan and Mr Petters spoke by telephone at least once on 24 October:

(a) Mr Feehan was very angry and accused Mr Petters of fraud. In particular, in the course of this call, Mr Feehan stated:

(i) that GECC did not have collateral to secure payment of the Petters Capital Line and that Petters Capital was a fraud;

(ii) "*This is a fraud. This is all one, big fraud*";

(iii) "*I should really probably call the authorities about this*";

(iv) "*Petters Capital is a fraud*";

(v) "*The Costco receivables and purchase orders are not valid and do not represent real deals*";

(vi) "*My job is on the line*";

(vii) "*Others at GECC have their jobs on the line*";

(viii) "*Heads are going to roll at GECC*"; and

(ix) "*You need to handle this and clean this up*".

(b) Mr Petters complained that, by contacting Costco, GECC had jeopardized PCI's relationship with its biggest customer claiming that he did not wish Costco to know he had a lender (notwithstanding the fact that he had been submitting purchase orders to GECC purportedly signed by Costco acknowledging that Costco was an account debtor to GECC and responsible for making payments directly to GECC rather than to Petters).

(c) In turn, Mr Feehan threatened that he would expose PCI as a fraud.

(vi) Petters Facility is Closed

80. On 24 October 2000, Mr Petters told GECC that he would use money raised from private investors to repay the Petters Facility. He ultimately repaid the Petters Facility by 8 December 2000.

(a) On 24 October 2000, Mr Petters telephoned Mr Feehan, claiming that he was calling with his banker "*Gary Anderson*". "*Gary Anderson*" confirmed that he held US$20 million for PCI. Mr Petters confirmed that he would use funds raised from private investors to repay the Petters Facility.

(b) Mr Petters then couriered to GEC four cheques, each in the amount of US$5 million and dated 23 October 2000.

(c) Three further cheques were then issued on 25 October 2000 bringing the total of the cheques provided to GECC to US$38.5 million.

(d) The four US$5 million cheques were paid into GECC's accounts and presented for payment on 27 October 2000, but dishonoured.

(e) Mr Petters wired two payments of US$10 million each to GECC on 31 October 2000 and paid the remaining balance of US$45 million on 8 December 2000.

81. Following receipt of these payments, the Petters facility was terminated.

(vii) Forged Cheques and Red Tag Drawdowns

82. Notwithstanding the circumstances in which the Petters Facility had been closed, between 8 and 12 December 2000 RedTag requested a drawdown under the RedTag facility.

83. Following this request, on a date that is not within the Plaintiffs' knowledge, a telephone call took place between Mr Petters and Mr Feehan.

(a) Mr Petters represented to GECC that RedTag needed these funds to finance the further purchase of inventory that RedTag would sell to Costco.

(b) Mr Feehan asked whether the request by RedTag would be used by Mr Petters to pay the new investors whose funds had been used to pay GECC. Mr Feehan asked "*how do I know that I'm not just financing the guy who just refinanced me three weeks ago?*"

84. It is to be inferred that Mr Feehan realised that new investors would be defrauded, would have no security and would not be repaid from a lockbox arrangement.

85. Mr Petters maintained that the relevant investors had been paid when Costco finally paid the invoices. In order to demonstrate the truth of this, Mr Petters agreed to send Mr Feehan copies of Costco cheques.

86. On 20 December 2000, PCI faxed to Mr Feehan a series of cheques drawn on the accounts of National Clothing Co Inc., a Costco subsidiary, in order to demonstrate that the receivables were either being repaid or had been repaid.

87. Given its knowledge of Mr Petters' fraud, GECC (through Mr Feehan and Mr Morrone, another GECC employee) called Mr Petters' bank, Bank of America and were told that:

(a) the cheques had been doctored having originally been made out to payees other than PCI/RedTag; and,

(b) the cheques had been made out by Costco in different amounts which were small fractions of the amounts that they now stated.

88. Mr Feehan thereafter spoke to Mr Petters, during which conversation:

(a) Mr Petters insisted that the bank had made a mistake;

(b) Mr Feehan informed Mr Petters that he did not believe him that the bank had made a mistake and accused him of fraud;

(c) Mr Petters asked him "*why all the mistrust*", to which Mr Feehan responded:

> *"Well because, Tom, there's been two times I have tried to independently verify what you've told me. Once with Costco and now with the bank, and both times the answer has been contrary to what you've said or represented in the case of the cheques."*

(d) because Mr Petters insisted that the bank had made a mistake and that he could prove the mistake, Mr Feehan asked to be allowed to speak to Mr Petters' bank and to be allowed to obtain from them a bank statement to demonstrate that the amounts shown on the cheques were actually deposited and cleared for those amounts;

(e) Mr Petters sought to clarify that Mr Feehan wanted a bank statement and Mr Feehan responded that Mr Feehan wanted to be able to obtain a statement *directly from the*

bank. It is to be inferred that the reason that Mr Feehan wanted to be able to obtain a statement directly from the bank is because he suspected that Mr Petters would otherwise fabricate a bank statement; and

(f) Mr Petters agreed to "*see what [he could] do*" and told Mr Feehan that he would call him back.

89. However, rather than provide such a statement, Mr Petters telephoned Mr Feehan later and said he was "*sick*" of GECC's second guessing and did not want to continue business with GECC but would instead pay off the RedTag facility.

90. Mr Feehan communicated the details of Mr Petters' fraud in respect of these cheques to his supervisor.

(viii) GECC's Knowledge of the Fraud by October/November 2000

91. In the premises, from the operations of the Petters Facility and from the aforesaid conversations between (a) Costco and Mr Feehan and/or (b) Mr Feehan and Mr Petters and/or (c) Mr Feeehan and Bank of America, GECC knew of each of the matters set out below:

(a) the purchase orders which had been sent to them under the terms of the Petters Facility were fraudulent;

(b) the payments received by GECC could not have originated from Costco;

(c) given that there were no real purchase orders and, therefore, no buyers for that merchandise, no merchandise was in fact being bought by PCI;

(d) none of the payments sourced from the new investors had been used to pay for merchandise;

(e) given that PCI had no assets, income or real operations, PCI could not fund repayments to GECC through legitimate sources;

(f) the monies advanced by GECC had been repaid by the new investors;

(g) GECC had been actively misled by Mr Petters as to the nature and operation of PCI and the Petters Facility;

(h) the new investors were likely to have been persuaded by Mr Petters to provide funds using fraudulent representations about the existence of purchase orders and the lockbox arrangement;

(i) the security offered to the new investors was worthless in that the relevant purchase orders were:

(i) forged by Mr Petters; and, in any event,

(ii) pledged to GECC;

(j) in any event the lockbox arrangement would not be operated in a satisfactory manner; and

(k) GECC would therefore, in all likelihood, be paid off (and obtain a considerable profit from the Success Fees which it had been promised) using funds that Mr Petters had fraudulently obtained as part of a Ponzi scheme with new investors.

(6) GECC Misrepresentations to Auditors

92. On 27 December 2000, RedTag wrote to GECC asking GECC to provide Ernst & Young LLP ("**E&Y**") with audit confirmations in respect of the RedTag audit. In particular, RedTag requested that GECC provide E&Y with information including the "*nature of defaults, if any*" by RedTag on the RedTag Facility.

93. On 30 January 2001, GECC provided audit confirmation, stating that RedTag had committed a "*net worth covenant event of default*", meaning that RedTag had a net worth less than US$8.1 million. There was no reference to the fact that:

(a) RedTag had falsified its cheques;

(b) GECC suspected that RedTag was being used as part of a Ponzi Scheme to fraudulently acquire funds from investors; or

(c) GECC suspected that the purchase orders said to have been acquired by Mr Petters from Costco were fabricated by Mr Petters.

94. In the premises, GECC's letter to E&Y (the "**E&Y Letter**") was materially misleading.

95. E&Y's audit report confirmed that RedTag's financial statements fairly reflected its financial position. For the avoidance of doubt, it is the Plaintiffs case that:

(a) The E&Y audit report was misleading as a result of the misleading E&Y Letter; and

(b) GECC was aware that this was the case.

96. In or around the same time, during their audit of PCI, Arthur Anderson LLP sought audit confirmations in respect of PCI's purchase orders from Costco for the period March 1999 to June 2000.

97. GECC responded by stating, falsely, that PCI had repaid 100 loans from GECC satisfactorily using funds obtained from Costco, whereas in reality GECC had been repaid with the funds obtained from other the new investors.

98. As a result of this false representation, Arthur Anderson issued a due diligence report on PCI's financial statements.

99. When making the representation, GECC knew that:

(a) the representation was false;

(b) if, based on this representation, Arthur Anderson was to issue an unqualified audit opinion on PCI's financial statements, those financial statements would be misleading; and

(c) those misleading financial statements were likely to be used by Mr Petters to obtain further credit.

(7) GECC's Continuing Representations in the To Whom It May Concern Letter

100. Without prejudice to the generality of the foregoing, GECC knew that the representations in the To Whom It May Concern Letter were false and/or misleading in that:

(a) The To Whom It May Concern Letter represented that the transactions under the Petters Facility and/or Credit Facility had performed well when in fact for the reasons aforesaid GECC knew that:

(i) those transactions had been found to be fraudulent;

(ii) the relevant underlying documents had not been properly executed but were forged or false;

(iii) the security Mr Petters was to provide was invalid and/or worthless;

(iv) the "*lockbox*" arrangements did not process payments from retailers; and

(v) GECC had been paid using money which GECC knew or suspected had been fraudulently obtained from new investors;

(b) The Letter represented that Mr Petters "*continues as an excellent customer*" and that GECC had found Mr Petters to be of a high character and possessing strong moral values when in fact for the reasons aforesaid GECC knew:

(i) Mr Petters had a prior history of dishonesty as set out in the Kroll Report which had led GECC to put in place further checks on the Petters Facility; and

(ii) Mr Petters had acted dishonestly in the above respects in his dealings with GECC.

101. Further, GECC was aware that the To Whom It May Concern Letter would continue to be used by Mr Petters to raise funds:

(a) Mr Petters could not afford to allow the new investors to contact Costco to verify the source of the funds that would be used to repay them.

(b) The new investors would therefore be likely to rely heavily on the references provided to them by Mr Petters in order to verify his honesty and integrity.

(c) One important reference, given GECC's standing in the financial world, was likely to be the To Whom It May Concern Letter.

102. Notwithstanding its aforementioned knowledge of Mr Petters' dishonesty and the likelihood of further use of the To Whom It May Concern Letter, GECC took no steps to withdraw or amend it or otherwise prevent its dissemination to new investors.

103. Following the closure of the Petters Facility and at all material times up to 2009, GECC continued to be aware of Mr Petters' fraud and continued to be aware that the representations made in the To Whom It May Concern Letter were false.

104. The Plaintiffs will rely inter alia on the following facts and matters in support of their contention that GECC's was aware of Mr Petters continuing fraud:

(a) In an email dated 22 November 2000, Mr Mayer (Mr Feehan's direct superior at GECC) asked Mr Feehan "*is [Petters] double financing this stuff*" and, in relation to proposed RedTag financing "*Is this a Petters deal in sheeps [sic] clothing*".

(b) On 24 January 2003, Mr Mayer sent an email to Mr Feehan stating "*Hey, you might get a visit from a large guy, crooked nose, from your side of town. Word has it that Rodgers still ain't been paid. If I didn't know better I would swear that you were taking lessons from Mr Petters.*" Mr Feehan then replied: "*When I get back, it'll be paid…in 4 separate, $5 checks…don't cash them until I tell you it's ok*". This latter email was intended to refer to the doctored cheques submitted by Mr Petters.

(c) On 11 September 2008, Mr Mayer sent an email to Mr Feehan containing a copy of a news story regarding a group named Acorn Capital suing Mr Petters after learning that a loan was not covered by "*at least $289 million in accounts receivable, as required under the loan covenants. The loan is instead backed by inventory having 'a value of substantially less than $289 million'*". The email was titled "*déjà vu*". Mr Feehan replied: "[M]*akes you wonder if this is where our loan ultimately ended up…*".

(d) On 28 September 2008, Mr Feehan forwarded a story about Mr Petters' offices being raided by law enforcement with the message "*brings back memories…*"

(e) In October 2009, an employee of GECC complained to Mr Feehan "[Y]*ou should have warned me…I lost a lot of money with [Petters]!*" Mr Feehan replied "*Had you been at GE you wouldn't have. After our encounter in 2000, no part of GE ever got exposed to him again.*"

(f) In 2009, nearly nine years after Mr Petters had sent doctored cheques to GECC, Mr Morrone maintained a copy of those cheques in his desk draw together with handwritten notes detailing the conversation with Costco's bank. These were the only documents relating to Mr Petters (save for a copy of the RedTag Credit Agreement) that Mr Morrone kept in his office. All other Petters-related materials were kept off-site.

(8) GECC's Ongoing Misrepresentation to Investors and Conspiracy with Petters

105. It is to be inferred from the fact that GECC took no steps to report Mr Petters to the appropriate authorities or otherwise expose him and/or from GECC's aforesaid misrepresentations to auditors that GECC intended to:

(a) assist Mr Petters in concealing the truth from the authorities as well as future investors; and

(b) refrain from itself taking steps to withdraw or otherwise prevent the dissemination of the To Whom It May Concern Letter to new investors.

106. Rather than raising alarm about Mr Petters' fraud GECC sought to agree a repayment plan with Mr Petters. After discovering the forged purchase orders in October 2000 Mr Feehan and Mr Petters had the following discussions:

(a) Mr Feehan stated:

(i) "*We are going to be able to work this out so we each get what we want*";

(ii) "*Just get us paid off, and we will each go on our way and we will not tell anyone about the problems that we are having with you and this loan*"; and

(iii) "*If you get us paid off, we will be out of the Petters business and no one will ever know this happened*".

(b) Mr Petters promised that:

(i) GECC would recover not only its loans but also its profits and success fee;

(ii) he would refinance the debt from new private investors (the "**new investors**");

(iii) the new investors' "*investments*" would be secured on the same "collateral" as he had given to GECC.

(c) Mr Feehan accepted Mr Petters' offer to pay down the Petters Facility with funds from new investors and said, "*that sounds like a good plan to me*".

(d) Mr Feehan informed his superiors and, in particular, Mr Ungari of the details of his conversations with Mr Petters.

(e) By its agreement with Mr Petters, GECC expected to and did receive not only repayment but substantial unearned "*success*" fees from Mr Petters calculated upon Costco purchase orders which GECC knew to be counterfeit.

107. GECC provided false or misleading audit confirmations to E&Y and Arthur Anderson as described above in relation to RedTag and it is to be inferred that GECC took such steps to help conceal Mr Petters' fraud.

108. GECC also refrained from pursuing such inquiries as would have revealed Mr Petters' fraud and as might have been expected of it had it behaved honestly:

(a) At no stage did Mr Feehan try to communicate directly with new investors or ask Mr Petters to identify them.

(b) No attempt was made by GECC to contact Costco again in order to verify or investigate whether there were any genuine purchase orders.

109. Further, GECC refrained from documenting the following conversations as it might reasonably have been expected to do if it acted honestly:

(a) Mr Feehan's conversation with Mr Hulsey at Costco in which he learned that the Purchase Orders were fake.

(b) Mr Feehan's conversation with Mr Petters about these forged Costco Purchase Orders.

(c) Mr Feehan's conversation with his supervisors regarding his discovery.

110. By agreeing with Mr Petters and/or PCI in the manner aforesaid, GECC conspired with them to use unlawful means to induce new investors to provide funds to Petters. The best particulars which the Plaintiffs can give until full discovery herein are as follows:

(a) Unlawful means consisted of the dishonest concealment of Mr Petters' fraud, the misrepresentations to RedTag Auditors, the fraudulent representations made by Petters to investors, the untrue statements being made in the To Whom It May Concern Letter.

(b) The agreement is to be inferred from the fact that GECC and Mr Petters agreed that GECC would get repaid from alternative investors solicited by means which it knew would be dishonest and that it did not:

(i) report what it had discovered;

(ii) otherwise expose Mr Petters or PCI;

(iii) raise any alarm with RedTag's auditors; or

(iv) withdraw the To Whom It May Concern Letter.

D. LANCELOT JOINS CONSPIRACY

(1) Mr Bell Launches Lancelot as a Petters Feeder Fund

111. Prior to December 2000 (the precise date not being within the Plaintiffs' knowledge), Mr Bell met Mr Petters while working for Epsilon Funds, an investor in PCI.

112. The investments by Epsilon in PCI had purportedly been secured by means of the lockbox arrangements that had been established by GECC in its investments in PCI and RedTag.

113. Following the repayment on 8 December 2000 to GECC of sums required by GECC to be repaid in respect of the Petters Facility, Epsilon became Petters' primary lender or new investor.

114. In or around 2001, Mr Bell left Epsilon to start his own funds and then caused the Lancelot Funds to be established in order to raise money purportedly to invest exclusively in the Petters Group.

(2) General Representations Made to Investors about Lancelot's Business

115. For each year between 2002 and 2008, the Lancelot Funds issued a Confidential Information Memorandum ("**CIM**") to potential and current investors (including the Ritchie Group) which represented the purported business of the Lancelot Funds to be as follows:

(a) Lancelot made short term loans to Thousand Lakes, an entity which formed part of the Petters Group.

(b) To secure or evidence its repayment obligations, Thousand Lakes issued promissory notes to Lancelot.

(c) The promissory notes were purportedly secured on Thousand Lakes' interest in receivables of purchasers such as Costco.

(d) Lockbox accounts would be set up which were in the name of Thousand Lakes but over which Lancelot had complete control.

(e) Payments in respect of the purchase orders were required to be paid into these lockbox accounts.

(f) The risk of insolvency of the big-box retailers was managed by taking appropriate insurance.

116. Lancelot Management regularly distributed flow charts and other literature to investors showing how the transactions, in which Thousand Lakes and Mr Petters were purportedly engaged, would operate.

117. In addition, Mr Bell in telephone calls and meetings repeatedly represented to investors that the Lancelot model was intended to provide investors with complete comfort as to the safety of their investment.

118. Between 2002 and 2008 Mr Bell raised about US$2.5 billion for the Lancelot Funds, Lancelot I and Lancelot II.

(3) Lancelot Representations about the Petters Group and itself

119. In soliciting funds from investors, Mr Bell on behalf of Lancelot repeatedly made a number of representations to investors in documents produced on behalf of Lancelot. Those representations were also specifically made and/or repeated to Mr Ritchie and/or RCM and to the Plaintiffs as set out in Section E below.

120. Each and every CIM contained the following statements with respect to the Thousand Lakes lockbox account:

(a) Lancelot would "*have a "lock-box" arrangement with the SPV* [Thousand Lakes], *pursuant to which the Fund will have control over the SPV's* [Thousand Lakes'] *bank account into which the Retailer will pay the purchase price for the Underlying Goods*"; (the "**Lockbox Representation**")

(b) "*monitor* [Thousand Lakes] *to confirm that* [it] *satisfies its obligations under the Purchase Order, including, without limitation, the delivery of the Underlying Goods to the Retailer, and the payment by the Retailer to* [Thousand Lakes] *of the purchase price of the Underlying Goods*" (the "**Monitoring Representation**").

121. The reference to "*lockbox accounts*" was integral to the operation of the Lancelot Funds and the Lockbox Representation would be understood as a reference to a device used in commercial factoring where the banking and other arrangements ensure that no third party,

including especially the borrower, can intercept the payments from the retailer or other merchant.

122. The Lockbox Representation could only be true if the arrangements were such as to comply with applicable US law such as the Uniform Commercial Code which required the following:

(a) there had to be a documented lien or pledge over the merchandise and proceeds of sale;

(b) enforcement of the lien would require a clear chain of title to the each chose in action starting with the initial funds advanced and ending with the repayment from the segregated lockbox account; and

(c) the lockbox account had to be segregated in order to guard against any commingling of the proceeds of sale with other funds which would destroy the lenders' security interest and free from interference.

123. The Plaintiffs will say that it was to be implied, either as part of the Lockbox and Monitoring Representations or separately, that, whatever arrangements were made, such arrangements would be effective under US law to provide collateral or security in the aforesaid sense and/or that all steps necessary to ensure effectiveness under US law would be taken to provide such collateral or security (the "**Implied Collateral Representation**").

124. Every single CIM produced by each of the Lancelot Funds reproduced and/or repeated the Lockbox Representation and the Monitoring Representation and/or made or repeated the Implied Collateral Representation. Each such CIM was sent to the Ritchie Group.

125. Mr Bell, on behalf of Lancelot, produced regular executive summaries to investors including the Ritchie Group showing the lockbox arrangement which was given to investors. The executive summaries contained an "Illustrative Flow Chart" which showed monies flowing directly from the big box retailed to the SPV and thereby repeated the Lockbox Representation.

126. In every such diagram, flow chart that was ever sent to investors including the Ritchie Group between 2002 and 2008, the Lancelot Funds repeated both the Lockbox Representation and the Monitoring Representation, representing that retailers (in particular Costco) would deposit payment for the goods directly into the lockbox account.

127. Mr Bell periodically had meetings with larger investors (including the Ritchie Group) in order to discuss their investment and in order to explain the Lancelot business model. On each

such occasion he repeated and emphasised the Lockbox Representation and/or the Monitoring Representation.

128. Between 2003 and 2007 (for the financial years 2002 to 2006), the audit of the financial statements of Lancelot Cayman was carried out by Altschuler Melvoin & Glasser (Cayman Islands). From 2007 onwards, McGladrey Cayman was the auditor of Lancelot Cayman. For each of those years the auditors provided clean audit opinion in respect of the financial statements prepared by Lancelot.

129. Mr Bell and Lancelot Management and/or the Lancelot Funds provided the audited financial statements for the Lancelot Funds for the years 2003 to 2007 following the year end audit to RCM and/or the Ritchie Group.

130. When such audited financial statements were provided to investors (including, as set out above, the Ritchie Group) Mr Bell and Lancelot Management and/or the Lancelot Funds thereby impliedly represented that the financial statements provided a true and fair view (the "**Audit Representation**").

131. In making all the representations as aforesaid Mr Bell and Lancelot Management and/or the Lancelot Funds also impliedly represented that the Petters Group companies were or were believed to be genuinely carrying on a genuine and legitimate business and that Lancelot was itself carrying on a genuine and legitimate business (the "**Legitimate Business Representation**").

132. Further, when further investments were subsequently made by members of the Ritchie Group, Mr Bell and Lancelot Management and/or the Lancelot Funds the aforesaid representations were continuing representations and/or it was impliedly represented that the previous representations remained true (the "**Continuing Representations**").

133. In support of the allegation that the Continuing Representations were continuing and/or that as implied representations they remained true, the Plaintiffs will rely on the fact that at no stage were any of the representations which had previously been made, corrected or withdrawn or contradicted by Mr Bell or Lancelot Management or the Lancelot Funds.

(4) Falsity of Representations

134. The Lockbox, Monitoring, and Implied Collateral Representations and/or each of them were false:

(a) None of the payments that went into the lockbox account came directly from any retailer. All such payments were made by Petters Group companies, in particular PCI.

(b) The advances from the lockbox accounts to Thousand Islands had been used not to purchase merchandise but paid over or diverted to the Petters Group.

(c) There were no material sales or virtually no sales to big box or any other retailers and there were accordingly no or only very few genuine purchase orders.

(d) Accordingly:

(i) There was no documented chain of custody in the goods meaning that Lancelot had no security over the funds held by PCI; and

(ii) Any relevant insurance policy would not be enforceable because of the lack of chain of custody on the goods.

(e) No monitoring of the transactions took place:

(i) At no stage was any attempt made to inspect the alleged merchandise or warehouse;

(ii) At no stage was any attempt made to check with Costco or any other retailer that the merchandise was in fact being sold to them; and

(iii) Mr Petters had prohibited direct contact with Costco by Mr Bell.

135. The Audit Representation was false in that Lancelot's Financial Statements were materially misstated in describing Lancelot as having genuine investments and itself as carrying on the business of making such genuine investments

136. The Legitimate Business Representation was false or misleading in that the Petters Group companies were not or were not believed by Mr Bell and therefore by Lancelot to be genuinely carrying on a genuine and legitimate business and Lancelot was itself carrying on a genuine and legitimate business.

137. The Continuing Representation was false and misleading insofar as any earlier representations which were impliedly repeated or re-affirmed were themselves untrue as aforesaid.

(5) Mr Bell's Knowledge

138. Mr Bell was fully aware from the outset when launching the Lancelot Funds in 2002 that the aforesaid representations and/or each of them were false. The Plaintiffs will rely on admissions to that effect that Mr Bell has made to the Federal Bureau of Investigation that:

(a) Whilst working at Epsilon, a similar lockbox arrangement was represented to lenders and investors as being in operation:

(i) Mr Bell became aware that payments into the relevant SPV's lockbox account, operated by Highland Bank Ltd, were not being made by big box retailers.

(ii) Mr Bell knew that the lockbox arrangement was not operating as Mr Petters had represented and that funds were being paid into the account by PCI rather than by the retailers.

(b) Thereafter Mr Bell knew or believed that retailers were not paying funds into the lockbox accounts.

(c) He knew that that the documents evidencing the sales transactions were forged or believed that they might be.

(d) Mr Bell knew, or alternatively suspected, that no merchandise was in fact being sold.

(e) Mr Bell knew or believed that Mr Petters was not carrying on a genuine and/or honest business as he had represented.

139. The Plaintiffs will further rely on Mr Bell's conduct in assisting Mr Petters to conceal and/or obscure the true flow of money from investors as well as from compliance officers. Mr Bell established successive "lockbox" accounts at a number of different banks. There was no reason for him to do this unless he was assisting in the concealment of the Petters fraud.

(6) Conspiracy to Use Fraudulent Means

140. From 2002 Mr Bell and/or the Lancelot Funds and/or Mr Petters and/or PCI and/or members of the Petters Group conspired to use unlawful means for the Lancelot Funds to obtain funds from investors for use in Mr Petters' Ponzi scheme. The best particulars which the Plaintiffs are able to give until full discovery are as follows:

(a) The unlawful means comprised the aforesaid deceit coupled with the active concealment of true facts and the falsity of the Lockbox, Monitoring, Implied Collateral and Audit Representations.

(b) It is to be inferred that Mr Bell and/or the Lancelot Funds and/or Mr Petters and/or PCI agreed to use unlawful means from the fact that Mr Bell continued on behalf of the Lancelot Funds to solicit funds by dishonest means with Petters knowledge and encouragement.

(c) In making such an agreement Mr Bell and/or the Lancelot Funds were also joining the initial conspiracy between GECC and/or Mr Petters and/or the Petters Group even if GECC had become a silent partner. The Plaintiffs will rely on the fact that Mr Bell used the To Whom It May Concern Letter and was prepared to emphasise GECC's early involvement in meetings with the Plaintiffs as set out below.

E. INVESTMENT BY THE RITCHIE GROUP IN LANCELOT

141. In reliance on the false representations made by Lancelot and/or GECC and/or as a result of the aforementioned conspiracy, RCM caused certain members of the Ritchie Group to invest in shares in Lancelot Cayman and thereafter to continue to hold the same. Certain members of the Ritchie Group still held shares upon Lancelot Cayman entering official liquidation (and continue to hold those shares). However, for the avoidance od doubt, the Plaintiffs are not claiming any loss suffered in respect of those shares in these proceedings.

(1) Introduction of Lancelot to Ritchie Group

142. In or around early 2001, Mr Bell was introduced to and/or met one Marty Lackner ("**Mr Lackner**") from Equitec Group LLC with a view to securing investment from Equitec in Lancelot.

143. In or around later 2001, in order to secure investment, Mr Bell provided Mr Lackner with, amongst other things:

(a) the To Whom It May Concern Letter;

(b) the Arthur Anderson report on PCI; and

(c) the financial statements for RedTag for the year ending December 31, 2000 that had been audited by E&Y.

144. In November 2001, Equitec made a US$500,000 investment in Granite, which enabled Granite to make a "*test loan*" of US$500,000 directly to Petters Company, Inc.

145. In or around late 2001, Mr Lackner invited Mr Ritchie and one Tom DeMaio ("**Mr DeMaio**") (of RCM) to discuss an investment opportunity in the Lancelot Funds at the Equitec offices at the Chicago Board Options Exchange.

146. At this meeting, Mr Ritchie and Mr DeMaio were shown:

(a) purchase orders from Costco;

(b) inventory lists;

(c) a spreadsheet of available transactions;

(d) the To Whom It May Concern Letter;

(e) other reference letters for Mr Petters memorialising successful transactions; and

(f) other documents relating to the relationship between GECC and PCI.

147. Mr Ritchie was informed that while GECC wished to continue its relationship with Mr Petters, GECC's involvement was limited to US$50 million because other GECC "*blue chip*" customers may not like GECC's participation in the diverting business and may have seen it as a conflict of interest.

148. The representations made by Mr Lackner and/or Equitec were understood by Mr Ritchie and RCM to be explanations of what Mr Lackner and/or Equitec had been told by Mr Bell and to have been honestly made. As a result, a meeting was arranged. The said meeting was held in late 2001, when Mr Ritchie and one Jeff Nason ("**Mr Nason**"), an investigator for RCM, met with Mr Bell together with Mr De Maio and Mr Lackner.

149. During this meeting, Mr Bell confirmed to Mr Ritchie what he had previously been told by Mr Lackner. Mr Bell:

(a) made the Lockbox, Monitoring, Implied Collateral and Legitimate Business Representations;

(b) explained that payments were to be made directly into the lockbox accounts by retailers and this was supported by the SPV having a lien over the merchandise which would be perfected by a "UCC-1" filing; and

(c) confirmed what Mr Lackner had said about GECC emphasising the involvement of GECC, noting again that GECC "*loved the business*" but was worried that expanding its business with PCI would hurt its "*blue chip*" relationships.

150. In around early 2002, Mr Bell met again with Mr Ritchie, Mr Lackner and Mr Nason on behalf of RCM. At this meeting, Mr Bell on behalf of Lancelot:

(a) repeated the Lockbox, Monitoring, Implied Collateral and Legitimate Business Representations;

(b) produced a schematic of how the lockbox account worked (showing the identical flow of funds with the GECC and Epsilon relationship);

(c) showed the representatives of RCM:

(i) the Costco purchase orders;

(ii) a spreadsheet of available transactions detailed the deals that GECC was unable to do; and

(iii) other GECC related documentation including the To Whom It May Concern Letter;

(d) informed Mr Ritchie that further protection for investors had been obtained including:

(i) insurance to protect against Costco's insolvency;

(ii) guarantee letters from Costco; and

(iii) bank support for the lockbox; and

(e) produced a package of documents and marketing materials from a company called "Metro Gem" which was managed by an associate of Mr Petters. This package also contained the To Whom It May Concern Letter.

(2) Initial Investment in Lancelot

151. In March 2002, Mr Ritchie made a personal "*test*" investment of US$150,000 by way of a loan to Lancelot to enable Mr Ritchie to determine whether the cashflows worked as represented, which they apparently did.

152. Following the test loan, in August 2002, RCM caused RTL to enter into an agreement with Lancelot Management for RTL to purchase an interest in an as yet unidentified Cayman Islands exempt company.

(a) It had been intended by RTL and Lancelot Management that RTL would provide US$10 million in "*seed capital*" and a further US$10 million in "*seed capital*" would be provided by Equitec.

(b) This agreement provided that the express terms of the investment would be provided for in a set of "*Definitive Agreements*" between RTL, Lancelot Cayman and Equitec.

153. By October 2002, Mr Bell had designated Lancelot as the relevant entity through which RTL would invest. Accordingly, pursuant to a subscription agreement dated 17 October 2002, RTL purchased US$10 million worth of shares in Lancelot Cayman.

(3) Further Investments in Lancelot

154. Following the initial investment, in the period 2003-2007, Mr Bell provided investors in Lancelot (including the Ritchie Group) with:

(a) annual CIMs;

(b) promotional material for Lancelot Funds;

(c) letters written on behalf of Lancelot Funds; and

(d) flow diagrams setting out the nature of the Lancelot Funds' model.

155. All of this literature repeated the Lockbox, Monitoring and Implied Collateral Representations despite each such representation being false and Mr Bell being aware that each such representation was false.

156. Mr Bell also attended meetings with Mr Ritchie and representatives of RCM on a regular basis and at those meetings repeated the Lockbox, Monitoring, Implied Collateral and Legitimate Business Representations.

157. Further, the Lancelot Funds also provided RCM with:

(a) Net Asset Value statements for the Lancelot Funds; and

(b) audited financial statements for Lancelot Cayman.

158. By presenting the audited financial statements and the Net Asset Value Statements, the Lancelot Funds repeated the Audit Representation.

159. Further, the Lancelot Funds and Mr Bell made the Continuing Representation.

160. Relying upon:

(a) the representations made in the To Whom It May Concern Letter;

(b) the audited financial statements of RedTag and PCI which gave clean audit opinions on both entities;

(c) the Lockbox and/or Monitoring Representations;

(d) the Implied Collateral Representation;

(e) the Legitimate Business Representation;

(f) the Audit Representation in relation to the Financial Statements of Lancelot Cayman for 2002; and

(g) the Continuing Representation,

RCM caused RTL to invest a further US$45 million in Lancelot, RSMM to invest a US$10 million and RML to invest US$13 million.

161. These investments were made by way of:

(a) a subscription by RTL on 31 January 2003, for US$15 million worth of shares in Lancelot Cayman;

(b) a subscription by RTL on 6 August 2003, for US$30 million worth of shares in Lancelot Cayman;

(c) a subscription by RML on 6 August 2004, for US$13 million worth of shares in Lancelot Cayman; and

(d) a subscription by RSMM on 6 August 2004, for US$10 million worth of shares in Lancelot Cayman.

162. For the avoidance of doubt, had RCM or any Ritchie entity been aware of any of the following, namely that:

(a) the representations made in the To Whom It May Concern Letter, the Lockbox Representation, the Monitoring Representation, the Legitimate Business Representation, the Continuing Representation and/or the Audit Representation were false;

(b) the audited financial statements of RedTag and PCI should not have given clean audit opinions on both entities;

(c) the lockbox was being circumvented by funds being paid in by PCI rather than by the retailers;

(d) the Petters Group was not operating a legitimate business; or

(e) Lancelot's financial statements did not provide a true and fair view,

none of the further investments would have been made by any member of the Ritchie Group in Lancelot.

F. COLOSSUS

163. In reliance on the false representations made by Lancelot and/or GECC and/or as a result of the aforementioned conspiracy, RCM caused certain members of the Ritchie Group to invest in shares in Colossus Capital Fund Ltd ("**Colossus**") and thereafter to continue to hold the same.

164. Colossus was incorporated by Mr Bell in December 2004. It was managed by Colossus Capital Management LLC (whose principal was Mr Bell).

165. The business carried on by Colossus was the purchase of loans and other loan participation interests from Colossus Capital Fund LP, a Delaware limited partnership. Loans were to be secured by inventory, accounts receivable and long-term assets.

166. In or around late 2004, the Ritchie Group was introduced to the possibility of investing in Colossus. At the outset, it was made clear by representatives of Colossus that the funds were heavily invested in purchase order financing related to the activities of Mr Petters, both directly and through Lancelot.

167. Mr Ritchie considered the investment in Colossus to be attractive given:

(a) his perception of Mr Petters' integrity and business acumen and success based in part upon the To Whom It May Concern Letter; and

(b) the performance of the Ritchie Group's investments in Lancelot Cayman.

168. RML made two investments for a total of US$10 million in shares in Colossus:

(a) US$8 million was invested on 30 December 2004; and

(b) US$2 million was invested on 31 January 2004.

169. These shares were transferred to RMM in June 2007 and to RSMM in January 2008 by way of in-kind distributions.

170. Had Mr Ritchie, RCM, RML, RMM or RSMM or any Ritchie entity been aware of any of the following, namely that:

(a) the representations made in the To Whom It May Concern Letter, the Lockbox Representation, the Monitoring Representation, the Legitimate Business Representation, the Continuing Representation and/or the Audit Representation were false;

(b) the audited financial statements of RedTag and PCI should not have given clean audit opinions on both entities;

(c) the lockbox was being circumvented by funds being paid in by PCI rather than by the retailers;

(d) the Petters Group was not operating a legitimate business; or

(e) Lancelot's financial statements did not provide a true and fair view,

no investment in Colossus would not have been made by any Ritchie entity nor would any of the above transactions have taken place.

171. Further, the said investments in Colossus were the foreseeable and intended result of the conspiracy between Mr Petters, GECC, Mr Bell and the Lancelot Funds.

172. On 27 September 2016, an order was made by the US District Court for the District of Minnesota on the application of the US Bankruptcy Court-appointed Receiver for the assets of Mr Bell, Lancelot Investment Management LLC and others approving a distribution of receivership assets to investors in the Lancelot and Colossus funds who lost money on their investment.

173. The distribution involved a calculation by the Receiver of each investor's losses on a "*cash in/cash out*" basis. The Receiver's calculation of the Ritchie Group's losses on that basis in respect of the Colossus investments were and the distributions received from the Receiver were:

	Cash in / cash out	**Distribution**
Ritchie Multi-Manager Trading Ltd	1,832,752.48	20,972.44
Ritchie Structured Multi-Manager Ltd	8,167,247.52	93,438.95
Total	**10,000,000**	**114,411.39**

174. In addition, in the bankruptcy of Colossus, RSMM received a distribution of US$3,196,846.14.

175. Accordingly, insofar as damages are payable to RSMM, the Ritchie Group accepts that credit must be given US$3,311,257.53.

G. ROUND TRIPS

176. In or around late 2007, following the beginning of the global financial crisis, Mr Petters' Ponzi scheme began to stall. In particular, it became difficult to solicit sufficient new funds from investors for Mr Petters to be able to make payments on the promissory notes held by Lancelot investors with funds raised from new investors.

177. PCI became technically delinquent in paying the notes held by Lancelot. Accordingly, Mr Petters and Mr Bell acting for himself and the Lancelot Funds made the following agreement:

(a) Mr Petters and Mr Bell acknowledged that payment on the promissory notes could not be made on time given the state of the markets.

(b) To be able to justify the delay in payment if questioned, on 18 December 2007, Mr Bell executed an agreement with Mr Petters that extended the repayment term of all of the PCI notes held by Lancelot from 180 to 270 days.

(c) The ostensible effects of this extension were that:

(i) those notes that had been delinquent on a 180-day maturity schedule were no longer delinquent; and

(ii) the day on which any other note would have to be acknowledged as delinquent was pushed back by 90 days.

(d) Mr Bell concealed the delinquency of the notes from Lancelot investors, disclosing the note extension only if questioned specifically about it by an investor.

(e) However, Mr Bell and/or Lancelot Management and/or the Lancelot Funds concealed from investors in the Lancelot Funds that there had been any delinquent failure to meet the obligation on the notes.

178. By February 2008, notwithstanding the 90-day extension of time Mr Bell had given to PCI to pay the notes, PCI failed to make payments and the PCI notes again became delinquent.

179. In order to conceal this information from Lancelot investors (including the Ritchie Group) and to pretend that payments had been made on the notes, Mr Bell and PCI engineered approximately 86 "*round-trip*" banking transactions between 26 February 2008 and 24 September 2008.

180. As for the "*round-trip transactions*":

(a) The Lancelot Funds sent money to PCI which treated the money as if it were for an investment in a new diverting transaction and issue a new promissory note.

(b) Money was wired from a Lancelot controlled account at a Chicago bank to a PCI account at a Milwaukee bank.

(c) PCI would then immediately send a transfer back to the Lancelot-controlled account in nearly the same amount. That transfer was recorded as a payment on a previously outstanding promissory note.

(d) This created the misleading impression that PCI was paying its debts in a timely fashion.

(e) The transactions were structured to make it look like PCI was paying off an outstanding PCI promissory note or a number of invoices contained within a particular PCI promissory note.

(f) During the period of the round-trip transactions, Lancelot took in more than US$200 million from investors and the 86 round trip transactions totalled over a billion dollars.

181. Lancelot had a US$50 million line of credit at the Chicago bank that was used in the round-trip transactions. Money advanced to Lancelot on this line of credit was also used to invest in PCI notes. The line of credit came up for renewal during the period of time that the round-trip transactions were being conducted. By making the same false representations to the bank that were being made to other Lancelot investors, Lancelot was able to retain its line of credit.

182. Mr Bell and/or Lancelot Management for or on behalf of the Lancelot Funds agreed to these transactions, rather than enforcing Lancelot's rights against the retailers under the security agreements, because he knew that there was no merchandise or real arrangements with the retailers that was capable of enforcement.

183. Mr Bell and/or Lancelot Management for or on behalf of the Lancelot Funds (in concert with Mr Petters and PCI) intentionally concealed information about these "*round-trip*" transactions from Lancelot investors including the Ritchie Group, thereby concealing PCI's delinquent payments from Lancelot investors.

184. In the aforesaid respects Mr Bell, Mr Petters, the Petters Group, Lancelot Management and the Lancelot Funds were acting pursuant to the original conspiracy to use fraudulent means to injure existing and new investors including the Ritchie Group. The loan note extension, the "*round-trip*" transactions, the concealment thereof and the misuse by the Lancelot Funds' line of credit were further fraudulent means adopted to carry out that conspiracy.

H. RITCHIE LOANS

185. In reliance on the aforementioned false representations set out above made by Mr Petters and/or Mr Bell and/or Lancelot and/or GECC and/or as a result of the aforementioned conspiracy, RCM caused certain members of the Ritchie Group to invest in promissory notes issued by PGW and PCI.

186. In or around 2005, Mr Petters acquired the Polaroid trademark and other rights making up the Polaroid brand and certain associated companies.

187. On or around 31 January 2008, Mr Ritchie was approached by a broker, one George Johnson ("**Mr Johnson**"), who was acting on behalf of Mr Petters seeking short term loans. In particular, Mr Johnson informed Mr Ritchie that:

(a) Mr Petters was seeking financing for the Petters Group related to the Polaroid Corporation and its affiliates;

(b) a bridge loan was said needed because Polaroid's loan facility with JP Morgan would soon expire and new permanent financing had not yet been found; and

(c) the anticipated replacement facility was said to be conditional on receipt of funds from the sale of Polaroid's North American brand which had not yet completed.

188. RCM had agreed when the Ritchie Group invested in the Lancelot Funds that RCM would not circumvent the Lancelot Funds by seeking to deal directly with Mr Petters. Accordingly, on 1 February 2008, Mr Ritchie called Mr Bell to ask whether Mr Bell had any objection in him speaking to Mr Petters directly. Mr Bell indicated that he had no objection.

189. On 1 February 2008, Special Credit loaned US$31 million to PGW and Mr Petters in exchange for a promissory note. According to the terms of the initial promissory note:

(a) Because JP Morgan held a pledge of Polaroid's stock the borrowers (PGW and Mr Petters) agreed to endeavour, as soon as reasonably practicable, to secure the note with a pledge of all the capital stock of Polaroid Holding Company LLC and its subsidiary Polaroid.

(b) The note was guaranteed personally by Mr Petters, as he signed as co-borrower.

190. In February 2008, the Ritchie Group made a number of further loans to PGW, as Polaroid's parent company, evidenced by a series of promissory notes. These notes consisted of:

(a) the initial US$31 million note payable to Special Credit dated 1 February 2008 with a 90-day maturity;

(b) a further US$31 million note payable to Special Credit dated 4 February 2008 with a 90-day maturity;

(c) A US$9 million note payable to Special Credit dated 4 February 2008 with a 90-day maturity;

(d) a US$16 million note payable to Rhone dated 4 February 2008 with a 90-day maturity;

(e) a US$13 million note payable to Yorkville dated 5 February 2008 with a 90-day maturity;

(f) a US$4 million note payable to Special Credit dated 7 February 2008 with a 30-day maturity;

(g) a US$12 million note payable to Rhone dated 7 February 2008 with a 30-day maturity;

(h) a US$5 million note payable to Yorkville dated 15 February 2008 with a 30-day maturity;

(i) a US$9 million note payable to Special Credit dated 19 February 2008 with a 90-day maturity; and

(j) a US$16 million note payable to Rhone dated 19 February 2008 with a 90-day maturity.

191. Together, the loans made to PGW and Mr Petters in respect of Polaroid totalled US$146 million (the "**Polaroid Loans**").

192. In or around March 2008, Mr Petters approached RCM with a further proposal for lending. Mr Petters represented to RCM that RCM had an opportunity to provide financing for a diverting transaction involving PCI in which PlayStation video game consoles would purportedly be sold to Costco.

193. On 21 March 2008, PCI and Petters sold two promissory notes in the aggregate amount of US$31 million (the "**PlayStation Loans**") as part of the purported diverting transaction consisting of:

(a) a US$21 million note payable to Special Credit dated 21 March 2008 with a maturity date of 14 July 2008; and

(b) A US$10 million note payable to RCM Ltd dated 21 March 2008 with a maturity date of 14 July 2008.

194. In or around May 2008, Mr Petters approached RCM with a further proposal for lending. Mr Petters represented to RCM that RCM had an opportunity to provide financing for a diverting transaction involving PGW in which flat screen TVs would purportedly be sold to Costco.

195. On 9 May 2008, PGW and Mr Petters sold two promissory notes in the aggregate amount of US$12 million (the "**Flat Screen TV Loans**") as part of the purported diverting transaction consisting of:

(a) a US$4 million note payable to Yorkville dated 9 May 2008 with a maturity date of 30 May 2008; and

(b) a US$8 million note payable to Capital Structure dated 9 May 2008 with a maturity date of 30 May 2008.

196. The maturities on these promissory notes were initially 30 or 90 days and all but two of them (the notes dated 4 February 2008 in the amounts of US$9 million and US$16 million) were extended at various times. On 19 September 2008, all but two such notes were again extended to 19 December 2008.

197. At the time of approaching RCM in respect of the Polaroid loans, the PlayStation loans and the Flat Screen Television Loans (together the "**Ritchie Loans**"), Mr Petters, PCI and PGW had no intention of using the proceeds of the loans for their stated purpose.

198. Instead Mr Petters, PCI and PGW intended to use and did use the payments to pay off existing investors and sustain his fraudulent operation. That included paying Lancelot at least US$37 million on promissory notes that were issued to Lancelot in connection with fictitious diverting transactions.

199. The total amount loaned by the Ritchie Group to Mr Petters between 1 February 2008 and 9 May 2008 was US$189 million.

(a) Two of the notes dated 4 February 2008, one for US$9 million in favour of Special Credit and one for US$16 million in favour of Rhone were sold to third parties for the consideration of US$25 million (i.e. at par), plus the balance of the accrued and unpaid interest.

(b) Between 13 June 2008 and 20 August 2008, the following payments were received in respect of the promissory notes:

(i) Special Credit received payments totalling US$382,279.89; and

(ii) Rhone received payments totalling US$6,270,472.36.

(c) No other repayments of principal or interest were made in respect of any of the loans.

200. Accordingly, the aggregate principal amounts of the outstanding promissory notes purchased by each Ritchie Group lender is approximately US$158 million consisting of:

(a) US$8 million purchased by Capital Structure;

(b) US$28 million purchased by Rhone (less the repayments noted above);

(c) US$96 million purchased by Special Credit (less the repayments noted above);

(d) US$10 million purchased by RCM Ltd; and

(e) US$22 million purchased by Yorkville.

201. When making the Ritchie Loans, RCM (and therefore the relevant lenders for each loan) relied upon and were induced to make the loans by the following representations which when made and repeated as aforesaid had been adopted by Mr Bell on behalf of the Lancelot Funds:

(a) the representations made in the To Whom It May Concern Letter;

(b) the audited financial statements of RedTag and PCI which gave clean audit opinions on both entities;

(c) the Lockbox and/or Monitoring Representations;

(d) the Implied Collateral Representation;

(e) the Legitimate Business Representation;

(f) the Audit Representation in relation to the Financial Statements of Lancelot Cayman for the years 2003 to 2007; and

(g) the Continuing Representation.

202. Had Mr Ritchie, or any Ritchie Group Lender or any member of the Ritchie Group been aware of any of the following, namely that:

(a) the representations made in the To Whom It May Concern Letter, the Lockbox Representation, the Monitoring Representation, the Legitimate Business Representation, the Continuing Representation and/or the Audit Representation were false;

(b) the audited financial statements of RedTag and PCI should not have given clean audit opinions on both entities;

(c) the lockbox was being circumvented by funds being paid in by PCI rather than by the retailers;

(d) the Petters Group was not operating a legitimate business; or

(e) Lancelot's financial statements did not provide a true and fair view,

no loans would have been made by any Ritchie Group Lender nor would any of the above transactions have taken place.

203. Further, the Polaroid Loans, Flat TV Screen Loans and the PlayStation Loans were the foreseeable and intended result of the conspiracy between Mr Petters, GECC, Mr Bell and the Lancelot Funds.

I. DEFERRED MANAGEMENT COMPENSATION

204. In reliance on the false representations made by Lancelot and/or GECC and/or as a result of the aforementioned conspiracy, RCM agreed to defer and subordinate rights to management compensation which it would otherwise have received and which as a result of such deferral and/or subordination was never paid.

205. In or around September 2006, the Ritchie Group considered a refinancing and restructuring of the group. According to a report dated 30 September 2006 prepared by Houlihan Lokey Howard & Zukin Financial Advisors Inc., RCM LLC had approximately US$2 billion in assets under management and a right to payment of approximately $44.1 million on account of deferred investment management fees that were earned and payable under the investment management agreements.

206. Between October and December 2006, RCM solicited the interest of 70 parties to purchase certain of the assets of the funds managed by RCM. Of those interested parties, 31 executed and delivered non-disclosure agreements and conducted due diligence and 5 parties submitted written or verbal purchase offers.

207. By December 2006, RCM concluded that the best means of achieving the dual goals of preserving investment value while providing liquidity to redeeming shareholders was a transaction with Reservoir Capital Group LLC ("**Reservoir**").

208. Pursuant to this transaction (the "**Rhone Transaction**"), shares in certain funds managed by RCM would be sold to Reservoir by Ritchie Multi-Strategy Trading, Ltd., Ritchie Multi-Strategy Global, Ltd., Ritchie Multi-Strategy Global Trading, Ltd., and Ritchie Multi-Strategy (Cayman), Ltd. (the "**Rhone Sellers**").

209. The liabilities of the Rhone Sellers included an obligation to pay to RCM LLC management fees that had been earned and were payable on the calculated net asset value of funds under management. As of April 2007, that compensation was US$44.1 million ("**Management Compensation Claim**").

210. The deferred management compensation was senior in the Ritchie Group structure to third-party liabilities to investors and redemption creditors.

211. Included among the underlying assets that were valued by Houlihan Lokey and sold in the Rhone Transaction were shares in Lancelot Funds and Colossus Fund, Ltd. ("**Lancelot-Related Assets**") valued at approximately $50 million.

212. As part of the transaction, Reservoir required RCM LLC to obtain a comprehensive valuation of assets under management and a fairness opinion with respect to the proposed Rhone Transaction.

    (a) As a result, Houlihan Lokey was instructed to prepare a written opinion as to the fair value of the various assets proposed to be sold in the Rhone Transaction and to opine on whether the aggregate consideration to be received by the Rhone Sellers in the Rhone Transaction was fair from a financial point of view.

    (b) In performing their analysis of the assets comprising the Rhone Transaction, Houlihan Lokey concentrated on the ten largest assets in the portfolio of assets under review.

    (c) The Rhone Sellers' interest in the Lancelot-Related assets (i.e. Lancelot, Colossus and the direct loans) was in this group of assets which received this additional scrutiny.

213. In carrying out this assessment of the Lancelot-Related Assets, Houlihan Lokey relied upon the financial statements of the Lancelot Funds and Colossus which failed to disclose that:

    (a) the Lockbox and/or the Monitoring and/or Legitimate Business and/or Audit and/or Continuing Representations were false;

    (b) Lancelot, Colossus and Mr Petters were engaged in a Ponzi scheme to defraud investors rather than in genuine diverting transactions;

    (c) the financial statements of RedTag, Lancelot and PCI ought not to have received clean audit opinions; or that

(d) Mr Bell was aware of the above facts and matters.

214. Accordingly, on 15 March 2007, Houlihan Lokey issued their "*Fairness Opinion*" with respect to the Rhone Transaction. They would not have done so had they been informed of the matters set out in paragraph 213 above.

215. Pursuant to the Rhone Transaction, assets totalling $1.1 billion were sold to a joint venture entity ("**Rhone**") whose preferred equity was owned by Reservoir, with RCM owning subordinated equity interests in the Rhone joint venture. The purchase price of US$1.1 billion was payable as follows:

(a) the Rhone joint venture entity would assume the Rhone Seller's obligation to pay certain debts owed to Barclays of approximately US$631 million;

(b) the Rhone joint venture would also assume the Rhone Sellers' obligation to pay to RCM LLC its Management Compensation Claim;

(c) Reservoir would invest cash of approximately US$170 million in the Rhone joint venture, which cash would then be paid to the selling entities at closing;

(d) the Rhone joint venture would be obligated to also pay, in cash, a series of deferred instalments to the selling entities; and

(e) there would in addition be an earn out payment payable by the Rhone joint venture three years following closing to the selling entities.

216. Since RCM LLC's Management Compensation Claim was senior, had RCM LLC not concluded the restructuring transaction and agreed to defer the same it would have been able to collect its accrued compensation in priority to the redemption creditors. The restructuring could have taken effect without RCM agreeing to continue to defer its management compensation.

217. However, because of, and in reliance upon, the Houlihan Lokey fairness opinion, RCM LLC consented, as part of the Rhone Transaction, to the assumption by the Rhone joint venture entity of the Rhone Sellers' obligation to pay Management Compensation Claim and to subordinate the priority of those payments to the deferred instalment payments and deferred earn out payments that were payable by the Rhone joint venture to the Rhone Sellers (i.e. 215(d) and 215(e) above).

218. In agreeing to subordinate its right to payment of amounts otherwise due and payable, RCM LLC was transformed from a general unsecured creditor of the Rhone Sellers with a right to payment that was senior to any distribution to shareholders, into a general unsecured creditor of the Rhone joint venture entity, whose right to payment was junior to the payments owed by the Rhone joint venture purchaser to the Rhone Sellers in respect of the deferred instalment cash payments and deferred earn out.

219. Had Mr Ritchie, RCM or any Ritchie entity been aware of any of the following, namely that:

(a) the representations made in the To Whom It May Concern Letter, the Lockbox Representation, the Monitoring Representation, the Legitimate Business Representation, the Continuing Representation and/or the Audit Representation were false;

(b) the audited financial statements of RedTag and PCI should not have given clean audit opinions on both entities;

(c) the lockbox was being circumvented by funds being paid in by PCI rather than by the retailers;

(d) the Petters Group was not operating a legitimate business; or

(e) Lancelot's financial statements did not provide a true and fair view,

RCM LLC would not have agreed to defer management compensation.

220. Further, the agreement by RCM LLC to defer compensation was the foreseeable and intended result of the conspiracy between Mr Petters, GECC, Mr Bell and the Lancelot Funds.

J. THE COLLAPSE OF PETTERS GROUP AND LANCELOT

221. In September 2008, Mr Petters was raided by the Federal Bureau of Investigation following tip-off from Deanna Coleman, an associate of Mr Petters.

222. On 1 December 2008, Mr Petters was indicted by a Federal Grand Jury in the District of Minnesota. The indictment charged Mr Petters, PCI and PGW with mail and wire fraud, conspiracy to commit mail and wire fraud, and conspiracy to commit money laundering in connection with the perpetration of and participation in the Ponzi scheme.

223. On 2 December 2009, a jury in the District Court of Minnesota found Mr Petters guilty of all 20 counts charged in indictment including wire fraud and conspiracy.

224. On 29 September 2010, PCI and PGW each pleaded guilty to wire fraud, conspiracy to commit mail and wire fraud, and conspiracy to commit money laundering.

225. On 8 April 2010, Judge Richard Kyle sentenced Mr Petters to 50 years in prison for the offences.

226. Mr Bell pleaded guilty to offences charged in connection with his role in the 86 round trip transactions and was sentenced to imprisonment.

K. CLAIMS

(1) Deceit and conspiracy by GECC

227. If the misrepresentations made in the To Whom It May Concern Letter had never been made, the Plaintiffs would never have invested in the Lancelot Funds, agreed to make loans to the Petters Group nor would RCM have agreed to a restructuring deferring its accrued rights to compensation.

228. GECC intended investors to rely on the said misrepresentations so that funds could be raised which would repay its loans to Petters Group Companies. Further those transactions and the losses suffered were the direct or foreseeable consequence of relying on GECC's misrepresentations.

229. Accordingly, RCM and the Ritchie Group members are entitled to and claim damages from GECC in respect of deceit.

230. GECC entered into a conspiracy with Mr Petters and/or Petters Group companies in the manner set out above to use unlawful means (namely the fraudulent representations made by him and/or by GECC) with the intention of inducing new investors to provide funds which could only get repaid by further fraudulent representations to other new investors.

231. The said conspiracy had the following features:

(a) there being no legitimate business, Mr Petters would inevitably continue dishonestly to solicit funds so that loans could be repaid until the fraudulent scheme was exposed or Mr Petters ceased to be able to raise funds; and/or

(b) The fraudulent scheme would also continuously increase in scale and size over time so that exiting investors could be paid a fictitious return; and/or

(c) other persons would be involved in the soliciting of funds and such persons might have to be joined to the conspiracy if they discovered the Ponzi scheme.

232. Accordingly, the Plaintiffs will say that once GECC had joined the conspiracy with Mr Petters and/or members of the Petters Group and assisted in the launch of the Ponzi scheme, it could only withdraw from the conspiracy by exposing Mr Petters or the Ponzi scheme.

233. Further, the deception of the Ritchie Group by Mr Petters and/or the Petters Group and/or Mr Bell and/or Lancelot Management and/or the Lancelot Funds set out above (along with the deception of many other investors) was the foreseeable and/or direct result of the conspiracy between GECC and Mr Petters whereby Mr Petters was enabled to launch his Ponzi scheme.

(2) Deceit and Conspiracy by Lancelot Cayman

234. The Lockbox, Monitoring, Legitimate Business, Audit and Continuing Representations, repeatedly made by Mr Bell on behalf of Lancelot Cayman, were false and known to be false. Relying upon and induced by these misrepresentations the Ritchie Group made investments in Lancelot and loans to the Petters Group and RCM agreed to defer management compensation as aforesaid. Such reliance was intentional on the part of Lancelot Cayman.

235. If the Lockbox, Monitoring, Legitimate Business, Audit and Continuing Representations had never been made, the Ritchie Group would never have made investments in Lancelot or loans to the Petters Group and RCM would not have agreed to defer management compensation. Accordingly, the Ritchie Group are entitled to and claim damages from Lancelot Cayman in respect of those payments.

236. Further, by agreeing with Mr Petters:

(a) to make and/or repeat Lockbox, Monitoring, Legitimate Business, Audit and Continuing Representations in order to solicit further investment from the Ritchie Group; and

(b) to conceal the fraud being carried out by Mr Petters on investors in Petters entities and investors in Lancelot Cayman and the false nature of the Lockbox Representation and the Monitoring Representation,

Lancelot Cayman conspired with Mr Bell, Lancelot Management Mr Petters, PCI and PGW to injure investors such as the Ritchie Group.

237. Further, the loans made by the Ritchie Group to Petters companies were the foreseeable and/or direct result of the conspiracy between Mr Petters.

(3) Losses

238. In the premises as a result of the deceit by GECC and/or the deceit by Lancelot Cayman and/or the conspiracy between GECC and/or Lancelot Cayman and/or Mr Petters and/or the Petters Group, the Ritchie Group has suffered loss and damage.

239. The best particulars of that loss and damage that the Ritchie Group is presently able to give are as follows:

(a) RSMM (or, alternatively, RML) is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$6,688,742.47 representing the net losses it incurred as a result of investing in Colossus after giving credit for distributions received in respect of the Colossus interests.

(b) RCM LLC is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$44.1 million representing the amount that it agreed to defer (and therefore did not receive) by way of deferred management compensation.

(c) RCM Ltd is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$10 million representing the amount of its losses on the unpaid promissory notes from the Ritchie Loans;

(d) Yorkville is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$22 million representing the amount of its losses on the unpaid promissory notes from the Ritchie Loans;

(e) Rhone is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$28 million representing the amount of its losses on the unpaid promissory notes from the Ritchie Loans;

(f) Special Credit is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$96 million representing the amount of its losses on the unpaid promissory notes from the Ritchie Loans; and

(g) further, Special Credit is entitled to and claims damages from GECC and/or Lancelot Cayman in the amount of US$8 million representing the amount of its losses on the unpaid promissory notes from the Ritchie Loans made by Capital Structure.

(4) Interest

240. Further, the Plaintiffs are entitled to and claim interest on the amounts set out above on such sums and in such amounts as the court shall consider just and fair.

AND the Plaintiffs claim:

(1) Damages;

(2) All necessary accounts and inquiries;

(3) Interest;

(4) Costs;

(5) Further or other relief.

TOM LOWE QC

JACK WATSON

CAREY OLSEN

DATED this 21st day of May 2019

Carey Olsen

Carey Olsen

Attorneys-at-law for the Plaintiffs

DIRECTIONS FOR ACKNOWLEDGMENT OF SERVICE

OF WRIT OF SUMMONS

1 The accompanying form of Acknowledgment of Service should be completed by an Attorney acting on behalf of the Defendant or by the Defendant if acting in person.

After completion it must be delivered or sent by post to the Law Courts, PO Box 495G, George Town, Grand Cayman, KY1-1106, Cayman Islands.

2 A Defendant who states in his Acknowledgment of Service that he intends to contest the proceedings must also serve a Defence on the Attorney for the Plaintiff (or on the Plaintiff if acting in person).

If a Statement of Claim is indorsed on the Writ (i.e. the words "Statement of Claim" appear on the top of page 2), the Defence must be served within 14 days after the time for acknowledging service of the Writ, unless in the meantime a summons for judgment is served on the Defendant.

If the Statement of Claim is not indorsed on the Writ, the Defence need not be served until 14 days after a Statement of Claim has been served on the Defendant.

If the Defendant fails to serve his Defence within the appropriate time, the Plaintiffs may enter judgment against him without further notice.

3 A Stay of Execution against the Defendant's goods may be applied for where the Defendant is unable to pay the money for which any judgment is entered. If a Defendant to an action for a debt or liquidated demand (i.e. a fixed sum) who does not intend to contest the proceedings states, in answer to Question 3 in the Acknowledgment of Service, that he intends to apply for a stay, execution will be stayed for 14 days after his Acknowledgment, but he must, within that time, issue a Summons for a stay of execution, supported by an affidavit of his means. The affidavit should state any offer which the Defendant desires to make for payment of the money by installments or otherwise.

See overleaf for Notes for Guidance

THIS WRIT was issued by Carey Olsen, attorneys for the Plaintiffs, whose address for service is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands (ref: SD/PS/AD/1060969).

Notes for Guidance

1 Each Defendant (if there are more than one) is required to complete an Acknowledgment of Service and return it to the Courts Office.

2 For the purpose of calculating the period of 14 days for acknowledging service, a writ served on the Defendant personally is treated as having been served on the day it was delivered to him.

3 Where the Defendant is sued in a name different from his own, the form must be completed by him with the addition in paragraph 1 of the words "sued as (the name stated on the Writ of Summons)".

4 Where the Defendant is a FIRM and an attorney is not instructed, the form must be completed by a PARTNER by name, with the addition in paragraph 1 of the description "Partner in the firm of (.....)" after his name.

5 Where the Defendant is sued as an individual TRADING IN A NAME OTHER THAN HIS OWN, the form must be completed by him with the addition in paragraph 1 of the description "trading as (.....)" after his name.

6 Where the Defendant is a LIMITED COMPANY the form must be completed by an Attorney or by someone authorized to act on behalf of the Company, but the Company can take no further step in the proceedings without an Attorney acting on its behalf.

7 Where the Defendant is a MINOR or a MENTAL PATIENT, the form must be completed by an Attorney acting for a guardian ad litem.

8 A Defendant acting in person may obtain help in completing the form at the Courts Office.

THIS WRIT was issued by Carey Olsen, attorneys for the Plaintiffs, whose address for service is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands (ref: SD/PS/AD/1060969).

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD OF 2019 ( )

BETWEEN:

(1) RITCHIE CAPITAL MANAGEMENT L.L.C.
(2) RITCHIE CAPITAL MANAGEMENT SEZC, LTD.
(3) RITCHIE RML TRADING, LTD.
(4) RITCHIE SPECIAL CREDIT INVESTMENTS, LTD.
(5) RHONE HOLDINGS II. LTD
(6) RITCHIE STRUCTURED MULTI-MANAGER, LTD.
(7) YORKVILLE INVESTMENTS I, L.L.C.

Plaintiffs

AND

(1) LANCELOT INVESTORS FUND, LTD. (IN OFFICIAL LIQUIDATION)
(2) GENERAL ELECTRIC COMPANY

Defendants

ACKNOWLEDGMENT OF SERVICE
OF WRIT OF SUMMONS

If you intend to instruct an Attorney to act for you, give him this form IMMEDIATELY.

Important. Read the accompanying directions and notes for guidance carefully before completing this form. If any information required is omitted or given wrongly, THIS FORM MAY HAVE TO BE RETURNED

Delay may result in judgment being entered against a Defendant whereby he may have to pay the costs of applying to set it aside.

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1. State the full name of the Defendant by whom or on whose behalf the service of the Writ is being acknowledged.

THIS WRIT was issued by Carey Olsen, attorneys for the Plaintiffs, whose address for service is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands (ref: SD/PS/1060969).

2.	State whether the Defendant intends to contest the proceedings (tick appropriate box) ☐ yes ☐ no
3.	If the claim against the Defendant is for a debt or liquidated demand, AND he does not intend to contest the proceedings, state if the Defendant intends to apply for a stay of execution against any judgment entered by the Plaintiff (tick box) ☐yes ☐ no

Service of the Writ is acknowledged accordingly

(Signed).....

Attorney for

Notes on address for service

Attorney: where the Defendant is represented by an attorney, state the attorney's place of business in the Cayman Islands. A Defendant may not act by a foreign attorney.

Defendant in person: where the Defendant is acting in person, he must give his post office box number and the physical address of his residence or, if he does not reside in the Cayman Islands, he must give an address in Grand Cayman where communications for him should be sent. In the case of a limited company, "residence" means its registered or principal office.

Indorsement by Plaintiffs' Attorney (or by plaintiff if suing in person) of his name, address and reference, if any, in the box below.

Carey Olsen PO Box 10008 Willow House, Cricket Square Grand Cayman KY1-1001 Cayman Islands (ref: SD/PS/AD/1060969)

Indorsement by defendant's Attorney (or by defendant if suing in person) of his name, address and reference, if any, in the box below.

THIS WRIT was issued by Carey Olsen, attorneys for the Plaintiffs, whose address for service is PO Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands (ref: SD/PS/1060969).