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Hanszen Laporte Wins in U.S. Supreme Court—High Court Holds Businessman Liable for Fraudulent Transfers Despite Bankruptcy.

The U.S. Supreme Court has held that debtors cannot avoid paying their bills by fraudulently transferring assets and then filing for bankruptcy.

Writing for the 7-1 majority in ***Husky International Electronics, Inc. v. Ritz***, Justice Sonia Sotomayor referred to Houston businessman Daniel Lee "Bo" Ritz, Jr.'s "asset-transfer scheme" and reversed a series of lower-court decisions that allowed him to escape his $164,000.00 debt to Husky. In a 2011 trial, the court found that Ritz had transferred $1.6 million to other companies Ritz owned—shortly before putting the company that owed Husky into bankruptcy. Lower courts held that Ritz was personally liable for his company's debt to Husky, but allowed him to cancel the debt with his bankruptcy. Husky objected.

Tracing the history of fraud back over 400 years, the Supreme Court agreed with Husky, holding that debts arising from fraudulent transfers cannot be wiped clean by a bankruptcy. The ruling means that Ritz will now have to pay his debt to Husky.

"We are pleased the high court agreed that the lower courts had turned the bankruptcy code into an engine for fraud," said Jeff Dorrell, who represented Husky through its lengthy court battle. Dorrell is a partner with the Houston-based firm of Hanszen Laporte and holds *Texas Lawyer's* "Impact Player" award—given to the 10 lawyers who had the greatest impact on the law of Texas.

"We would never have dreamed that simply trying to get our small company paid for the goods it delivered to Ritz would take Husky on a decade-long trek ending in the highest court in the land," said Nick Davis, CEO of Colorado-based Husky. "We're glad it's over," Davis added.

Husky was founded in 1996 as an independent distributor of electronic components to original equipment manufacturers worldwide. Husky has a 15,000 square foot warehouse located in Loveland, Colorado, and currently stocks over 50,000 items available for immediate delivery.

Ritz, a former stockbroker and graduate of Texas A & M University, has formed, acquired, and bankrupted many Texas companies and allegedly engaged in elaborate schemes to convince private citizens to invest in them. Ritz's actions have led to public disciplinary actions by the Financial Industry Regulatory

Authority (FINRA), which has now suspended Ritz's license. Ritz is being sued by investors who claim Ritz defrauded them.

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