

## NEWS

# A milestone in a marathon

## Tax shelter adviser wants \$61M judgment reversed in Dallas bankruptcy case

BY CHAD ERIC WATT | STAFF WRITER

The legal saga of Gary Kornman has reached a milestone this summer, but it's likely a long way from done.

Kornman once made a lucrative living in Dallas selling tax shelter techniques to rich people nationwide. Trouble is, he was selling a shelter that the IRS considered a sham. Kornman's tax shelter strategy was a variation of the disallowed "Son of Boss" tax shelter, which the IRS had banned.



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That determination and a long line of angry, wealthy customers led him to put his main company, the Heritage Organization LLC, into bankruptcy in 2004.

That five-year-old bankruptcy case reached a tipping point this summer with the estate landing a \$61 million judgment against Kornman and companies controlled by him and his family.

Judge Barbara Houser with the federal bankruptcy court in Dallas finalized the judgment in mid-July. Whether Kornman and the companies have the money to satisfy the judgment isn't clear.

Kornman's attorney Emil Lippe has filed a motion for a new trial on the matter. Broadly, Lippe is arguing that Kornman and the related parties didn't make any fraudulent transfers.

That motion is set for an Aug. 27 hearing as the case otherwise moves toward a collection phase.

"A full recovery would return money to the creditors in full," said Deborah Williamson, a bankruptcy attorney with Cox Smith Matthews in San Antonio representing the trustees.

Full or partial, the creditors have been waiting for a long time.

The first chapter of the bankruptcy, which essentially led to a liquidation plan, took two years. The bankruptcy trustee has since spent the last three years trying to get money from Kornman and businesses controlled by his family, says Mark J. Barrera, another Cox Smith Matthews attorney.

"In the four years (leading) up to the bankruptcy, Heritage distributed very large amounts to those (family-owned) companies," Barrera said. "We had to prove that those were fraudulent transfers."

The Cox Smith team is now focused on turning the judicial order into payments.

"Knowing Gary Kornman and how difficult it was to get him to trial, it's going to be a challenge," Barrera said.

Outside of the bankruptcy fight, one last piece of litigation related to the failed tax shelter fight is set for trial in early January in Dallas federal court.

The case centers on a casino once owned by Kornman and his son, Michael Kornman. The Kornmans defaulted on a mortgage loan on the former Maxim Hotel & Casino in 2000 that they had received from a tax shelter advice client.

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