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Judge upholds \$41 million ruling against Blixseth

By Matthew Brown April 08, 2014

BILLINGS, Mont. (AP) — Real-estate developer Tim Blixseth was ordered to pay \$41 million to creditors of the luxury Montana resort he helped drive into bankruptcy, by a federal judge who slammed the one-time billionaire for distorting the facts in the case.

Blixseth diverted more than \$200 million from the Yellowstone Club for personal use — then sought to blame its 2008 financial collapse on others, including his ex-wife.

But U.S. District Judge Sam Haddon said Blixseth's fraudulent transfers of money had been meticulously documented by Chief Bankruptcy Judge Ralph Kirscher, who first ordered him to pay the \$41 million back in 2008.

Haddon sharply criticized Blixseth's attempts in the intervening years to shed responsibility in the case. The judge said Blixseth's legal arguments were "intentionally misleading" and suffered from "startling disarray and confusion."

Blixseth, a resident of Washington state, did not immediately respond to a request for comment on Monday's ruling. He spent years waging an unsuccessful campaign to discredit Kirscher and have him removed from the case.

The trustee for the Yellowstone Club's creditors, Brian Glasser, said Tuesday that he was moving to collect on the \$41 million.

"We're going to proceed all-steam ahead to try to collect," Glasser said.

Blixseth still has a chance to appeal after already spending millions of dollars on lawyers in dozens of cases that sprung from the Yellowstone Club bankruptcy.

The members-only ski and golf resort located south of Bozeman emerged from bankruptcy in 2009.

Haddon wrote in his ruling that the case boiled down to two issues: Did Kirscher have jurisdiction when he issued the original order against Blixseth, and was the judgment appropriate?

Haddon said the answer to both questions was yes.

"Blixseth's breach of fiduciary duties and his inappropriate and fraudulent manipulations of corporations he

controlled to his personal benefit were amply demonstrated," the Butte-based judge wrote in a 10-page ruling. "The bankruptcy court, notwithstanding an unwarranted attack by Blixseth upon the judge personally, accorded him error-free due process."

The club's creditors originally had sought even more — \$287 million — in the Montana case.

Glasser said a trial is set for June in a separate lawsuit filed in federal court in California that seeks to collect \$209 million from Blixseth.

In February, the trustee asked Haddon to incarcerate Blixseth after he failed to comply with a court order to hand over almost \$14 million from his sale of an ocean-side property in Mexico.

Blixseth made the sale in defiance of an earlier order, earning a contempt sanction from Haddon.

Further sanctions are being contemplated by the 9th U.S. Circuit Court of Appeals against Blixseth and his attorneys for filing meritless claims against Kirscher.

Montana tax authorities have said Blixseth owes \$57 million in back taxes on the money he diverted from the club. Court rulings in that matter so far have come down in his favor.

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