

Samuel Wyly's Bankruptcy Lawyers Seek Judge Approval for Art Sale

Auction Company Christie's Sold 3 Paintings But Was Unaware of Ex-Billionaire's Bankruptcy

By
Katy Stech

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Texas ex-billionaire Samuel Wyly Reuters

Unaware that ex-billionaire Samuel Wyly had filed for bankruptcy, auctioneers at Christie's Inc. sold three paintings he owned earlier this week without first getting permission from his bankruptcy judge.

The Texas entrepreneur, who is accused of securities fraud, didn't tell the lawyers who helped him file for bankruptcy on Oct. 19 that he had turned over the paintings several months ago to the Manhattan auction company, according to documents filed in the U.S. Bankruptcy Court in Dallas, Texas.

At a 19th century European art sale on Monday, Christie's sold the paintings for a total of \$328,000.

The painting "Clipper at Sea" by British maritime artist Montague Dawson did the best, selling for \$218,000. The two others—Leon Jean Basile Perrault's "Les enfants de paysan" and Pieter Lodewijk Kluyver's "Wood Gatherers in a Landscape"—sold for less than their pre-sale estimates, according to court documents.

"The sale should have been presented to this court beforehand for approval," said Mr. Wyly's lawyers in a court-filed request for U.S. Bankruptcy Judge Barbara Houser to sign off on the transaction anyway. They added that Mr. Wyly "intends to explore selling other artworks" during bankruptcy but will ask for permission next time.

Once a person files for bankruptcy, rules within the U.S. Bankruptcy Code call for a judge to approve the sale of anything that the person wouldn't normally sell. The process gives a person's lenders and other creditors the chance to say whether the sale got enough attention and whether potential buyers were given enough time to make an offer.

"The court wants to make sure it's going to be sold for the highest price and the best use," said Matthew Roseman, a lawyer for the Cullen and Dykman LLP law firm in New York.

Mr. Wyly, 80, was hit with a \$198.1 million judgment for securities fraud involving secret trading through offshore accounts. The 13-year scheme resulted in a jury verdict of guilty on nine different violations of the federal securities laws in May.

His deceased brother, Charles J. Wyly Jr., who died in a car accident in 2011, was also found liable for the civil fraud.

Mr. Wyly can't afford to pay the judgment amount, his bankruptcy lawyer said at a hearing earlier this month. He filed for Chapter 11 protection after U.S. Securities and Exchange officials—concerned that his property was being transferred to family members—threatened to freeze his assets.

Evidence in the federal court "elicited testimony that the Wyllys were collectively worth \$556 million (including their offshore assets)," SEC lawyers told the bankruptcy judge in court papers. In Mr. Wyly's bankruptcy petition, he said he is worth less than \$500 million.