

NOVEMBER 18, 2015

DAILY REPORT

A SMART READ FOR SMART READERS

An ALM Publication

Judge Allows Racketeering Claims Against Glock to Proceed

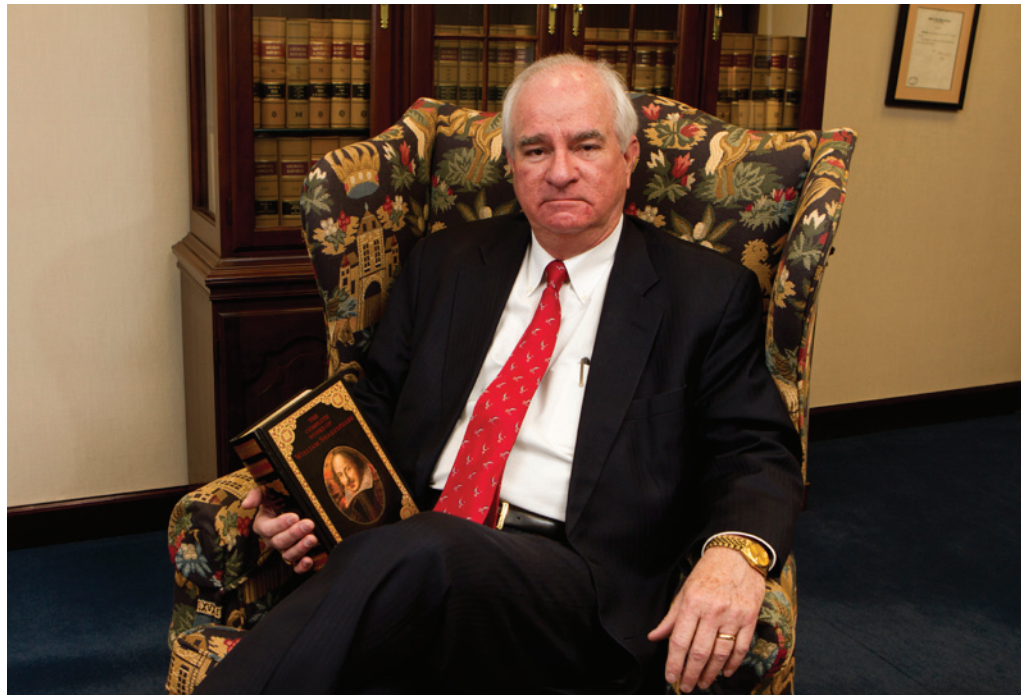
R. ROBIN MCDONALD

A federal judge in Atlanta has handed an initial victory to the ex-wife of international gun mogul Gaston Glock in a racketeering case.

In a Dec. 14 order, U.S. District Chief Judge Thomas Thrash Jr. reversed his earlier decision to stay the case Helga Glock filed last year against her ex-husband until lawsuits in Austria in which the former couple currently are embroiled were resolved.

Initially, Thrash had made a preliminary decision to delay action on the racketeering claims against her former husband, who divorced her in 2011 to marry a woman 50 years his junior, after Gaston Glock's lawyers argued that the Atlanta case was an attempt to litigate the Austrian divorce in a U.S. court.

But Thrash changed his mind, writing in his latest order that Helga Glock's case "is not about the plaintiff's divorce from Glock Sr." Instead, Thrash said the suit, filed in October 2014, centers on "allegedly fraudulent business transactions" by the international gunmaker's



U.S. District Chief Judge Thomas Thrash Jr.

John Disney

North American manufacturing operations in Georgia. Thrash said the suit also challenges the Austrian parent company's transfer of 50 percent of its ownership interest in Georgia-based Glock Inc. to another company that Helga Glock's lawyers have described as a sham.

As such, the judge said, the Atlanta racketeering suit has little in common with the lawsuits that Helga Glock is litigating against Gaston Glock in Austria. Those cases, Thrash noted, largely concern assets and alimony that Helga Glock may be entitled to as a result of the divorce. Thrash said that, because

the Austrian litigation do not involve the transactions at issue in the Atlanta complaint, continuing to delay the racketeering case “is inappropriate.”

Thrash also vacated an earlier order entered at the request of Gaston Glock’s attorneys sealing a number of documents from the Austrian litigation filed by the defendants in support of their motion to continue to stay the case. In his two-line order, Thrash wrote simply: “This is a RICO action.”

It is the second win this year for Helga Glock in her battle with her ex-husband over hundreds of millions of dollars in revenues from the international firearms conglomerate she co-founded with her husband in 1983. In August, the U.S. Court of Appeals for the Eleventh Circuit in Atlanta held that Helga Glock could use more than 500,000 pages of documents detailing the financial operations of the firearms conglomerate’s North American headquarters in Smyrna that her attorneys had successfully subpoenaed to use in the ongoing divorce litigation in Austria.

Helga Glock’s Atlanta counsel, John Da Grosa Smith, said of Thrash’s order allowing the racketeering case to proceed: “This is a business dispute. It always has been. Mrs. Glock is grateful that the court will consider her claims.”

Ronan Doherty, a partner at Atlanta’s Bondurant Mixson & Elmore and one of a team of Bondurant lawyers representing the defendants, had no immediate comment until he could consult with his clients.

Helga Glock’s 358-page racketeering complaint seeks more than \$500 million from Gaston Glock Sr., to whom she was married for 53 years. The suit claims that her 85-year-old ex-husband converted company operations to a

“multiple-decade, virtually worldwide” criminal enterprise that channeled funds to his personal coffers through illegal activities that included wire fraud, mail fraud, theft, money-laundering and the transportation and receipt of stolen goods.

The suit also names as defendants multiple Glock companies around the world, including Glock Inc., the Smyrna headquarters; Consultinvest, a Georgia company affiliated with the Smyrna manufacturing facility; and Glock Ges.m.b.H, the Austrian parent company. Other defendants include three of Gaston Glock’s former corporate lieutenants: disbarred Dunwoody lawyer Peter Manown, a former senior vice president of Glock; Charles Evert, also a former Glock executive, who is serving a 20-year prison sentence in Luxembourg for his role in the attempted assassination of Gaston Glock in 1999; Johann Quendler, Gaston Glock’s longtime Austrian lawyer; Karl Walter, a former vice president of Glock Inc.; and Hubert Willam, Glock Inc.’s onetime chief financial officer.

The racketeering suit contends that Gaston Glock’s allegedly illegal activities ultimately depressed the value of Helga Glock’s stock in the Austrian parent company. Helga Glock—who co-founded the gun company with her husband—at one time held 15 percent of the company. But she eventually was persuaded by her husband to transfer all but 1 percent of her stock shares into a foundation over which he had total control. After the couple divorced, Gaston Glock exercised his authority to remove his ex-wife as a beneficiary of the foundation, then sought to force her to sell her remaining 1 percent ownership in Glock’s parent company, according to the racketeering complaint.

Helga Glock’s racketeering suit also alleges that her ex-husband and his corporate associates illegally transferred half of the Austrian parent gun company’s interest in the Smyrna manufacturing operations to a shell company under Gaston Glock’s exclusive control as part of a scheme to depress the value of his now ex-wife’s holdings. The suit contends that the defendants did so by setting up a series of shell corporations exclusively owned or controlled by Gaston Glock that allowed him and his corporate lieutenants “to systematically appropriate virtually all of the income and assets” of Glock, Inc. for themselves by “illegal transfers of funds—which often purported to be for services or products.”

In allowing the racketeering case to proceed, Thrash rejected defense arguments that Helga Glock’s suit contained a number of allegations similar to her ongoing Austrian lawsuits disputing the division of marital assets—including claims that her ex-husband illegally diverted funds to which she was legally entitled into entities beyond her control. Wrote Thrash: “That certain allegations are found in both lawsuits, however, does not mean that the issues in both are the same. In the Austrian lawsuit, the plaintiff is seeking an accounting of Glock Sr.’s assets for the purpose of calculating the division of assets. Thus, the plaintiff is seeking to establish the existence of certain unreported assets within Glock Sr.’s possession. This case, by contrast, concerns the origin of those assets and the lawfulness of the means by which Glock Sr. came into possession of them.”