
Hughes Hubbard & Reed

SKAT Wins \$165M Bench Trial on Competing Claims of Settlement Agreement Breach

News & Events | Deals & Matters

Hughes Hubbard & Reed LLP • A New York Limited Liability Partnership
One Battery Park Plaza • New York, New York 10004-1482 • +1 (212) 837-6000

Attorney advertising. This advisory is for informational purposes only and is not intended as legal advice. Prior results do not guarantee a similar outcome. For more information: <https://www.hugheshubbard.com/legal-notice>.

Sept. 25, 2025 – Hughes Hubbard secured a \$165 million victory on behalf of the Customs and Tax Administration of the Kingdom of Denmark, or Skatteforvaltningen (SKAT) in a bench trial on competing claims of breach of a settlement agreement.

On Sept. 22, Judge Naomi Reice Buchwald, of the U.S. District Court for the Southern District of New York, ruled that the defendants – Matthew Stein, Jerome Lhote and Luke McGee – breached a settlement agreement with SKAT following their participation in a \$2.1 billion tax fraud scheme related to fraudulently claiming refunds on tax withheld from stock dividends. Judge Buchwald also dismissed the defendants' claims against SKAT.

"After watching the settling parties throw every conceivable frivolous argument at the court for the last two years, it was gratifying to see the court issue a decision solely in SKAT's favor and find unequivocally that Skat did not breach any agreement," said Marc Weinstein, lead attorney for SKAT.

In May 2019, toward the beginning of SKAT's multi-district litigation to recover the \$2.1 billion from the fraudulent tax refund scheme, SKAT entered into a settlement agreement with the three defendants, as well as dozens of friends, family members and business associates they recruited to participate in the scheme.

Stein and Lhote are the former business partners of Richard Markowitz and John van Merkensteijn, the two lead defendants in a February jury trial before Judge Lewis A. Kaplan in the U.S. District Court for the Southern District of New York, which resulted in a sweeping victory for SKAT and approximately \$500 million awarded in damages.

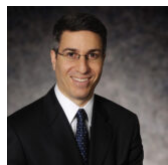
After participating in the scheme together for two years using Sanjay Shah's Solo Capital, Stein and Lhote split with Markowitz and van Merkensteijn and bought a German Bank with Luke McGee. Stein, Lhote and McGee's new bank then created the fake trading records to support the false tax refund claims, allowing them to cut out Shah and Solo Capital and keep more of the supposed tax refunds for themselves.

Rather than be sued by SKAT along with Markowitz and van Merkensteijn, Stein, Lhote and McGee elected to settle. Under the agreement, SKAT agreed to release its claims in exchange for Stein, Lhote and McGee returning all the proceeds they and the others they recruited to the scheme received, about 1.6 billion Danish Kroner (DKK) (approximately \$250 million), and providing certain cooperation to SKAT in its investigation of claims against others. Under this “first mover” settlement, Stein, Lhote and McGee avoided exposure to joint and several liability for the entirety of the loss this portion of the scheme cost SKAT – DKK 4.1 billion – and committed to paying back every kroner of SKAT’s money that they pocketed for themselves. The agreement further gave Stein, Lhote and McGee four years, until May 2023, to pay SKAT back in full, so that the three of them could sell assets, including their interests in the German bank, the proceeds of which they would pay to SKAT under the agreement.

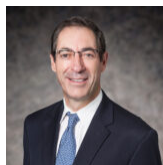
After Stein and Lhote were indicted by Danish prosecutors in the spring of 2021, they decided to cease making settlement payments to SKAT, arguing that SKAT breached its obligations under the agreement to bring certain settlement terms to the attention of the Danish prosecutors investigating the fraud. But they did not tell SKAT that they no longer intended to pay the remainder of the settlement. Instead, Stein and Lhote strung SKAT along until March 2023, when they preemptively sued SKAT seeking partial rescission of the agreement. In response, SKAT joined McGee to the case and successfully counterclaimed against the three of them for failing to pay the settlement in full. The Court rejected out of hand the suggestion that SKAT breached its obligations under the settlement agreement, and ordered the three defendants to pay the remaining \$165 million to SKAT.

Marc Weinstein, Bill Maguire, Neil Oxford and Dustin Smith led the Hughes Hubbard trial team representing SKAT, with key assistance from John McGoey, Greg Farrell, Kiran Rosenkilde, Elizabeth Zhou and Richard Bosch.

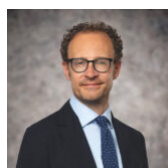
Related People



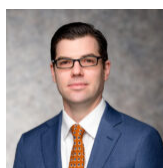
Marc A. Weinstein



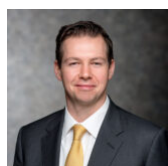
William R. Maguire



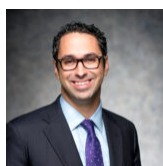
Neil J. Oxford



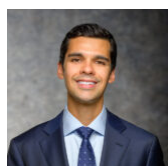
Dustin P. Smith



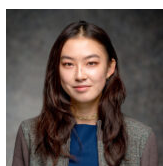
John T. McGoey



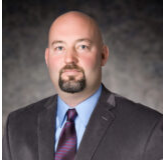
Gregory Farrell



Kiran H. Rosenkilde



Elizabeth Zhou



Richard Bosch

Related Areas of Focus

Litigation