

A Mega-Yacht, a Pomeranian, and the Strong-Arm Clause: The Second Circuit Reaffirms Trustee Standing for Reverse Veil Piercing

04/27/26

In *Guo v. Despina (In re Kwok)*, Adv. Pro. No. 24-2504, 2026 WL 922975 (2d Cir. Apr. 6, 2026), the Second Circuit affirmed that a Chapter 11 trustee has standing under the Bankruptcy Code’s “strong-arm” clause, 11 U.S.C. § 544, to bring outsider reverse veil-piercing claims against a debtor’s alleged shell company.

The case involves Ho Wan Kwok, a self-described multi-billionaire who filed for bankruptcy in 2022 claiming to own little more than personal effects and a Pomeranian—but conspicuously not the *Lady May*, a mega-yacht worth tens of millions of dollars. The *Lady May* was nominally owned by HK International Funds Investments (USA) Limited, LLC (“HK”), a Delaware LLC whose sole member was Kwok’s daughter. After a creditor, Pacific Alliance Asia Opportunity Fund L.P. (“PAX”), sought to enforce a roughly \$116 million New York state court judgment by levying on the yacht, Kwok sailed the *Lady May* to the Bahamas in defiance of a state court restraining order, was held in contempt, and then filed for bankruptcy.

HK filed an adversary proceeding in Kwok’s bankruptcy claiming it was the true owner of the *Lady May*. The Trustee counterclaimed that HK was Kwok’s alter ego, meaning HK’s assets—the *Lady May*, a second yacht, and \$37 million in escrow—belonged to the bankruptcy estate. The bankruptcy court granted summary judgment for the Trustee, and both the district court and the Second Circuit affirmed.

The pivotal legal question was whether the Trustee could invoke creditors’ rights under the strong-arm clause to assert the reverse veil-piercing claim. HK argued that a trustee lacks standing to sue third parties on behalf of creditors and can only assert claims held by the debtor itself. The court disagreed, distinguishing between “general” and “personal” creditor claims. General claims—those any creditor could bring without a particularized injury—belong to the trustee because centralizing them promotes equitable distribution. Personal claims, by contrast, belong to specific creditors harmed in particular ways. Reverse veil-piercing, the court held, is a general claim because it “increas[es] the basket of assets that could be used to satisfy *any and all liabilities* owed by the debtor,” enlarging the estate for all creditors rather than vindicating a particularized harm.

In re Kwok reinforces that reverse veil-piercing claims are general creditor claims under Section 544, confirming *Stadtmauer v. Tulis (In re Nordlicht)*, 115 F.4th 90, 107 (2d Cir. 2024). The decision is significant because it empowers Chapter 11 trustees to wield reverse veil-piercing to pull assets out of sham entities and into the estate for the benefit of all creditors. The case is a cautionary tale about which the Second Circuit’s message is clear: parking assets in hollow entities will not shield them from the bankruptcy estate when a trustee comes knocking with Section 544 in hand.

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