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In Bankrupt Detroit, Happy's Pizza Isn't

The cause of Detroit's bankruptcy probably can't be attributed to one thing. There is not even universal agreement over its **primary** cause. See [The Unions Didn't Bankrupt Detroit, But Great American Cars Did](#). There certainly isn't agreement over what to do about it either. One particular bone of contention is how much federal government intervention is appropriate.



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Yet this is the largest U.S. municipal bankruptcy, and the path out of it is unlikely to be easy. The future looks clouded if not downright grim. See [Detroit Files For Bankruptcy Protection: The Facts, The Figures, And The Fallout](#). But as with all such events, there are some things that must go on as usual.

Daily life and pizza with friends, for example. Except that one of Detroit's favorites, Happy's Pizza, is sad these days. The company's founder was indicted on federal conspiracy charges. The feds allege that he cheated the government out of millions in taxes. See [Happy's Pizza founder indicted on conspiracy, tax charges](#).

Happy's Pizza opened in Detroit in 1996 and now has more than 100 franchises. [According to the indictment](#), the 100 store chain's founder Happy

Asker (along with two associates) kept two sets of books and lied about how much money the pizza stores made. Prosecutors claim that they pocketed more than \$2.1 million between 2004 and 2011.

There are more than a dozen Happy's Pizza stores in Detroit and environs, but the focus of the case is limited. The government investigated in a big way. In August 2010, nearly 30 agents from the DEA, ATF and IRS converged on Happy's Pizza's corporate offices. They seized business and personal records and pawed through them all. See [Sad day for Happy's Pizza after federal agents reportedly search](#).

Yet the company notes proudly that neither the DEA nor the ATF found any evidence of wrongdoing. The IRS was a different story. In fact, the IRS claims that Mr. Asker under-reported income on 7 of their 100 independently owned and operated franchisee restaurants. See [Happy's Pizza founder indicted on tax evasion charges](#).

Although only nine Happy's Pizza franchises were allegedly involved, the company counts 100 independently owned and operated locations. The indictment alleges that the tax scheme ran from 2004-2011. Fake numbers were allegedly provided to accountants and tax preparers.

Meanwhile, a second set of books recorded the real figures. The franchise partners who maintained these books allegedly got a cut of the **real** net profits once a week. In all, Happy's Pizza franchises allegedly hid \$3.9 million in sales.

The government even claims that the perpetrators hid how much their employees were making. The franchise partners allegedly paid employees in cash and understated their pay on returns. Also charged with Asker were Maher Bashi and Tom J. Yaldo of West Bloomfield Township, Arkan Summa, and Tagrid Summa Bashi.

The company and these individuals are said to be mounting a vigorous defense. Still, in cases of this sort the documentary evidence can be pivotal. It can be awfully hard to explain two sets of books and records. Even so, Detroit might be wishing that it had kept two sets of books if only that would mean there were a little extra cash now to go around.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.