



Honorable Mike K. Nakagawa
United States Bankruptcy Judge



Entered on Docket
February 24, 2014

UNITED STATES BANKRUPTCY COURT

DISTRICT OF NEVADA

* * * * *

In re:)	Case No.: 09-31603-MKN
)	Chapter 7
WILLIAM A. GAYLER,)	
)	Date: September 19, 2013
Debtor.)	Time: 9:30 a.m.
)	

MEMORANDUM DECISION ON TRUSTEE’S MOTION TO DISQUALIFY COUNSEL FOR JOHN D. O’BRIEN PROFIT SHARING PLAN AND COUNSEL FOR BARRY R. MOORE AND JANIE MOORE AS CO-TRUSTEES OF THE BAMM LIVING TRUST DATED JULY 16, 2003, GROTH, LLC, CH PICHON, LLC AND HARLAN, LLC THROUGH THEIR MANAGING MEMBER JOHN O’BRIEN¹

On September 19, 2013, the court heard the Trustee’s Motion to Disqualify Counsel for John D. O’Brien Profit Sharing Plan and Counsel for Barry R. Moore and Janie Moore As Co-Trustees of The Bamm Living Trust Dated July 16, 2003, and Groth, LLC, CH Pichon, LLC, and Harlan, LLC through Their Managing Member John O’Brien (“Disqualification Motion”). The appearances of counsel were noted on the record. After the oral arguments were presented, the matter was taken under submission.

¹ Unless otherwise specified, all “Section” references are to the Bankruptcy Code, 11 U.S.C. §§ 101-1532. All references to “FRBP” are to the Federal Rules of Bankruptcy Procedure. All references to “LR” are to the Local Rules of Practice for the District of Nevada. All references to “ECF No.” are to the numbers assigned to the documents filed in the bankruptcy case or the minute entries of the court as they appear on the docket maintained by the clerk of the court.

BACKGROUND

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2 On November 16, 2009, an involuntary Chapter 7 petition was filed against William A.
3 Gayler (“Debtor”). (ECF No. 1). The three petitioning creditors were The Pius Reiger Family
4 Ltd. Partnership, the John D. O’Brien Profit Sharing Plan, and Addison Glass, Inc. (“Petitioning
5 Creditors”). On November 25, 2009, the Petitioning Creditors filed a motion to appoint a
6 bankruptcy trustee. (ECF No. 8). On December 8, 2009, Debtor filed an answer to the
7 involuntary petition. (ECF No. 15). On December 14, 2009, Debtor filed an opposition to the
8 motion to appoint a trustee. (ECF No. 19).

9 On December 17, 2009, the court approved interim relief that, inter alia, enjoined the
10 Debtor from causing any entity that he owns or controls, directly or indirectly, from transferring
11 any real or personal property exceeding \$10,000 in value without further order of the court or the
12 majority vote of non-related members of the entity (“Interim Involuntary Order”). (ECF No. 32).

13 On January 6, 2010, a scheduling conference was held on the involuntary petition. On
14 January 20, 2010, a conditional order was entered scheduling a trial on the involuntary petition to
15 be held on March 16, 2010. (ECF No. 50).²

16 On March 16, 2010, the court proceeded with trial of the involuntary petition. At the
17 trial, a settlement between the Petitioning Creditors and the Debtor was placed on the record.
18 Among other things, the settlement provided that the involuntary petition would be dismissed on
19 the condition that the Debtor paid \$100,000 to the Petitioning Creditors no later than March 19,
20 2010. Debtor agreed that if he failed to meet the terms of the settlement, an order for relief could
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23 ² The Petitioning Creditors previously had filed a motion for summary judgment on the
24 merits of the involuntary petition. (ECF No. 27). On January 11, 2010, Debtor filed opposition
25 requesting a deferred ruling until actual trial of the involuntary petition. (ECF No. 47). On
26 February 5, 2010, the Petitioning Creditors filed a reply. (ECF No. 66). On February 12, 2010, a
hearing was held and an order denying summary judgment was entered on February 16, 2010.
(ECF No. 69). On the same date, an order was entered scheduling a pretrial conference for the
trial of the involuntary petition. (ECF No. 70).

1 be entered.

2 On March 29, 2010, a conditional order of dismissal memorializing the terms of the
3 settlement was entered. (ECF No. 84). Because the Debtor already had failed to meet the
4 deadline for payment to the petitioning creditors, on March 29, 2010, an order for relief under
5 Chapter 7 also was entered. (ECF No. 85). Also on the same date, a notice of the Chapter 7
6 proceeding was issued disclosing the appointment of James F. Lisowski, Sr. (“Lisowski”) as the
7 bankruptcy trustee to administer the case.³ (ECF No. 86). The notice further stated the date and
8 time of the meeting of creditors. The notice also set forth a deadline of June 29, 2010
9 (“Discharge Deadline”), for parties in interest to file complaints objecting to discharge under
10 Section 727 (“727 Actions”) or to determine dischargeability of debt under Section 523 (“523
11 Actions”).

12 On June 24, 2010, a motion to extend the Discharge Deadline was filed by the law firm of
13 Marquis & Aurbach, predecessor to the law firm of Marquis Aurbach Coffing (“MAC”). (ECF
14 No. 98). The motion was brought on behalf of John D. O’Brien individually and as Trustee of
15 the John D. O’Brien Profit Sharing Plan (“O’Brien Extension Motion”)⁴, the latter of which was
16 one of the original Petitioning Creditors. The motion also was brought on behalf of Donald J.
17 Campbell, J. Colby Williams, William Godfrey, Barry R. Moore, Janie Moore, Barry R. Moore
18 and Janie Moore, Co-Trustees of the BAMM Living Trust Dated July 16, 2003, John Esposito,
19 Mario P. Borini, Bianca Borini, Joseph Borini, and Eroom Holdings, LP.

20 On June 28, 2010, Lisowski also filed a motion to extend the Discharge Deadline. (ECF
21 No. 103). On the same date, Debtor filed a voluntary Amended Chapter 7 petition that included
22 schedules of his assets. (ECF No. 105). Debtor’s personal property Schedule “B” listed the

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24 ³ At the time of his appointment, Lisowski was on a panel of bankruptcy trustees in this
judicial district who would be randomly assigned Chapter 7 cases as they were filed.

25 ⁴ Collectively, John D. O’Brien individually and as Trustee of the John D. O’Brien Profit
26 Sharing Plan will be referred to as “O’Brien” unless otherwise indicated.

1 Debtor's management or ownership interests in numerous entities, some of which Debtor
2 claimed as exempt on his Schedule "C." The entities in which the Debtor claims to have a
3 management or ownership interest include CH Pichon LLC, Sunset II LLC, Sunset V LLC,
4 Harlan LLC, CH Angelus LLC, CH Angelus II LLC, CH Angelus IV LLC, Dominus M-B LLC,
5 Diamante Rose LLC, and 23 Golden Sunray LLC.

6 On September 7, 2010, Debtor filed an amended Schedule "F" listing unsecured claims
7 exceeding \$21,792,000. (ECF No. 120). On the same date, an order was entered granting
8 Lisowski's motion to extend the Discharge Deadline (ECF No. 121) as well as an order granting
9 the O'Brien Extension Motion. (ECF No. 122).

10 On September 24, 2010, the meeting of creditors was concluded.

11 On October 21, 2010, an objection to certain of the Debtor's claimed exemptions was
12 filed by City National Bank ("CNB"). (ECF No. 136). CNB specifically objected to Debtor's
13 claimed exemption in more than sixty entities. On October 25, 2010, Lisowski filed a joinder in
14 the exemption objection filed by CNB. (ECF No. 141). On October 27, 2010, MAC also filed
15 on behalf of O'Brien a joinder in the exemption objections filed by CNB and Lisowski. (ECF
16 No. 143). On October 27, 2010, Eliot A. Alper as Trustee of the Eliot A. Alper Revocable Trust
17 dated March 22, 1999, filed a joinder in the exemption objections filed by CNB and Lisowski.
18 (ECF No. 144). On October 28, 2010, Byron Lebow ("Lebow") also filed a joinder in the
19 exemption objection filed by CNB. (ECF No. 146).⁵

20 On November 1, 2010, Lisowski filed a motion requesting a further extension of the
21 Discharge Deadline to February 1, 2011. (ECF No. 148).⁶ Lisowski's motion was noticed to be
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23 ⁵ On November 5, 2010, Flamingo Tenaya, LLC, filed a joinder in the exemption
24 objection filed by CNB. (ECF No. 159).

25 ⁶ On October 25, 2010, a stipulation between CNB and the Debtor was filed extending
26 the Discharge Deadline. (ECF No. 140). An order approving that stipulation was entered on
November 12, 2010. (ECF No. 160).

1 heard on December 1, 2010. (ECF No. 149). Also on November 1, 2010, O'Brien filed a similar
2 request for an extension of the Discharge Deadline to December 31, 2010. (ECF No. 151). That
3 motion was noticed to be heard on December 8, 2010. (ECF No. 153). Additionally, Lebow
4 filed a joinder in O'Brien's request to extend the Discharge Deadline. (ECF No. 154). On
5 November 24, 2010, Debtor filed an objection to O'Brien's request (ECF No. 161) as well as to
6 Lebow's attempt to join in O'Brien's request. (ECF No. 162).

7 On December 1, 2010, the court heard and granted Lisowski's motion to extend the
8 Discharge Deadline as no opposition had been filed by the Debtor.

9 On December 8, 2010, the court heard and took under submission O'Brien's motion to
10 extend the Discharge Deadline as well as Lebow's joinder.

11 On January 7, 2011, an order was entered sustaining CNB's objection to the exemptions
12 claimed by the Debtor. (ECF No. 164).

13 On January 28, 2011, MAC commenced an adversary proceeding against the Debtor to
14 determine dischargeability of debt under Sections 523(a)(2) and 523(a)(4), on behalf of John D.
15 O'Brien, as Trustee of the John D. O'Brien Profit Sharing Plan, Donald Campbell, Colby
16 Williams, and Mario P. Borini, individually and as Chairman of the Board of the Trustees of the
17 Alexander Dawson Foundation. That adversary proceedings is denominated Adversary
18 Proceeding No. 11-01027-MKN ("O'Brien 523 Action").

19 On February 1, 2011, Lisowski filed a motion for an additional extension of the
20 Discharge Deadline through May 1, 2011. (ECF No. 166). It was noticed to be heard on March
21 10, 2011. (ECF No. 167).

22 On February 22, 2011, an order was entered granting O'Brien's motion and extending the
23 Discharge Deadline to March 15, 2011. (ECF No. 172). The order further denied Lebow's
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1 request to join in the extension.⁷

2 On March 2, 2011, Lisowski filed an application to employ the Lisowski Law Firm,
3 Chtd., as counsel to the bankruptcy estate nunc pro tunc to Lisowski's appointment as Chapter 7
4 trustee. (ECF No. 175). The application was noticed to be heard on April 7, 2011. (ECF No.
5 176).

6 On March 15, 2011, MAC commenced a separate adversary proceeding against the
7 Debtor to determine dischargeability of debt under Sections 523(a)(2) and 523(a)(4), on behalf of
8 Barry R. Moore, Janie Moore, Eroom Holdings, LP, and Barry R. Moore and Janie Moore, Co-
9 Trustees of the BAMM Living Trust Dated July 16, 2003 ("the Moore Parties"). That adversary
10 proceeding is denominated Adversary Proceeding No. 11-01088-MKN ("Moore 523 Action").

11 On March 19, 2011, Lisowski's motion for an additional extension of the Discharge
12 Deadline through May 1, 2011, was granted as unopposed.⁸

13 On April 13, 2011, MAC filed a motion for relief from stay in the Debtor's bankruptcy
14 proceeding on behalf of creditors identified as "65% of the Owners of Sunset V, LLC,"
15 apparently consisting of Cynthia E. Brown as to 10%, William Godfrey as to 5%, Richard Plaut
16 as to 10%, Phillip S. Aurbach as to 20%, and John O'Brien as to 20% ("65% Owners RAS
17 Motion"). (ECF No. 186). The motion was accompanied by the Declaration of Phillip S.
18 Aurbach ("Aurbach RAS Declaration") in support of the relief requested. (ECF No. 188).
19 Phillip S. Aurbach ("Aurbach") is a principal of MAC and according to his declaration, owns a
20 twenty percent interest in an entity known as Sunset V, LLC ("Sunset V"). The 65% Owners
21 RAS Motion sought an order confirming that the Debtor's interest as managing member of
22 Sunset V is not encompassed by the automatic stay arising from the filing of the Debtor's

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24 ⁷ On the same date, a memorandum decision also was entered with respect to O'Brien's
25 motion and Lebow's joinder. (ECF No. 171).

26 ⁸ It does not appear, however, that a written order granting the motion was submitted or
entered on the docket.

1 bankruptcy petition. Alternatively, the motion sought relief from stay to allow the members of
2 Sunset V, including Aurbach, to vote to remove the Debtor as the managing member.

3 On April 14, 2011, MAC filed an application seeking approval for Lisowski to employ
4 MAC as special counsel to the Debtor's bankruptcy estate ("MAC Employment Application").
5 (ECF No. 192).⁹ The application sought to employ MAC on a contingency fee basis "for the
6 purpose of investigating and proceeding with specific litigation issues regarding multiple
7 potential fraudulent conveyance actions and/or preference actions." MAC Employment
8 Application at 2:9-11.¹⁰ The application states that the firm has represented various individuals
9 and entities related to the bankruptcy case. *Id.* at 2:15-22.¹¹ In support of the application, a
10 "Verified Statement/Declaration of Professional" signed by Aurbach was filed ("Aurbach
11 Verified Statement"). (ECF No. 193). Paragraph 5 of that statement attests that "Neither I nor
12 any of my partners or employees has any present connection with the Debtor, his creditors or
13 other parties-in-interest other than having represented the following individuals and entities in
14 the cases discussed in paragraph 7, below." Paragraph 7 states that "To the best of my
15 knowledge, I have no connections with the Debtors, creditors or any other party in interest, or
16 their respective attorneys and accountants which connections may constitute a conflict of interest
17 or adverse position." The MAC Employment Application was noticed to be heard on May 18,

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19 ⁹ The signature pages indicates that the MAC Employment Application was signed by
Lisowski but prepared by Aurbach.

20 ¹⁰ The order for relief was entered on March 29, 2010. Under Section 546(a)(1)(A),
21 Lisowski had until March 29, 2012, to commence fraudulent transfer or preference actions
22 pursuant to Sections 548, 544 and 547.

23 ¹¹ The clients identified in the MAC Employment Application were as follows: "Barry R.
24 Moore, Janie Moore, Eroom Holdings, LP and Barry R. Moore and Janie Moore, Co-Trustees of
25 the BMM Living Trust dated July 16, 2003, John D. O'Brien, as the Trustee of the John D.
26 O'Brien Profit Sharing Plan, Donald Campbell, Colby Williams, Mario P. Borini, Individually as
a Chairman of the Board of Trustee of The Alexander Dawson Foundation, John and Lorraine
Esposito, CH Angelus, LLC, CH Angelus II, LLC, ICON Real Estate Services, of which William
Gayler was the President, in a real estate transaction."

1 2011. (ECF No. 194).

2 On April 18, 2011, an order was entered granting Lisowski's motion to employ the
3 Lisowski Law Firm as general counsel to the bankruptcy estate nunc pro tunc. (ECF No. 198).

4 No objection to the MAC Employment Application was filed. On May 23, 2011, an
5 order was entered authorizing Lisowski to employ MAC as special counsel on a contingency fee
6 basis ("MAC Employment Order"). (ECF No. 205).

7 On June 3, 2011, an order was entered granting the 65% Owners RAS Motion. (ECF No.
8 209).

9 On June 8, 2011, MAC filed on behalf of Lisowski a motion to conduct an examination
10 of the Debtor pursuant to FRBP 2004(a) ("2004 Examination"). (ECF No. 213). On June 9,
11 2011, an order was entered granting that motion. (ECF No. 214). On June 20, 2011, MAC filed
12 on behalf of the 65% Owners of Sunset V a motion to conduct a separate 2004 Examination of
13 the Debtor. (ECF No. 220). On the same date, an order was entered granting that motion. (ECF
14 No. 222).

15 On September 15, 2011, MAC filed on behalf of Lisowski a motion confirming the
16 Debtor's 40% membership interest and management rights in an entity known as Dominus M-B,
17 LLC ("Dominus Sale Motion"). (ECF No. 300). The motion also sought to allow Lisowski to
18 sell the Debtor's membership interest and management rights to an entity identified as HAND
19 Enterprises, Inc. for cash in the amount of \$170,556. In addition to declarations from Lisowski
20 in support of the Dominus Sale Motion, MAC also filed the declarations of Mark A. Schnippel
21 (ECF No. 302), who is a managing member of the subject entity, and John D. O'Brien (ECF No.
22 303), who apparently owned 100% of the non-managing members' interests in the entity and
23 perhaps 10% of the managing membership interest in the same entity. The motion was noticed to
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1 be heard on October 19, 2011. (ECF No. 304).¹²

2 On October 5, 2011, Debtor filed an objection to the Dominus Sale Motion. (ECF No.
3 332). On October 11, 2011, MAC filed a reply on behalf of Lisowski. (ECF No. 335). The
4 motion was heard on October 19, 2011, and an order denying the Dominus Sale Motion was
5 entered on November 15, 2011. (ECF No. 354).

6 On December 20, 2011, MAC filed on behalf of Lisowski a motion to turnover estate
7 assets (“First Turnover Motion”). (ECF No. 377). By that motion, Lisowski sought an order
8 requiring the Debtor to turnover the hard drive to his business computer. The motion was
9 noticed to be heard on January 26, 2012. (ECF No. 378).

10 On December 23, 2011, MAC on behalf of Lisowski commenced an adversary
11 proceeding against seventeen named defendants, including the Debtor, various trusts, certain
12 limited liability companies managed by the Debtor, certain entities owned by the Debtor, and
13 others. The complaint seeks, inter alia, a determination that the Debtor is the alter ego of various
14 entities, including 23 Golden Sunray LLC, that the assets of such entities are property of the
15 bankruptcy estate, and that certain fraudulent transfers between entities may be avoided pursuant
16 to Section 548. The adversary proceeding was denominated Adversary Proceeding No. 11-
17 01410-MKN (“Golden Sunray Action”)¹³.

18 On January 25, 2012, Lisowski and the Debtor stipulated to continue the hearing on the
19 First Turnover Motion to February 16, 2012. (ECF No. 424). On February 6, 2012, the parties
20 stipulated to further continue the hearing to February 29, 2012. (ECF No. 428). On February 17,
21 2012, Debtor filed opposition. (ECF No. 431). On February 24, 2012, Lisowski filed a reply.
22 (ECF No. 434). The First Turnover Motion was heard on February 29, 2012, and an order

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24 ¹² It is not readily apparent how MAC under the MAC Employment Order was
authorized to represent Lisowski in connection with the Dominus Sale Motion.

25 ¹³ Documents filed and docketed in the Golden Sunray Action will be referenced as “GS
26 ECF No.”.

1 granting the motion was entered on March 5, 2012. (ECF No. 438).

2 On May 9, 2012, MAC on behalf of Lisowski filed another turnover motion (“Second
3 Turnover Motion”) but this time with respect to the Debtor’s interest in the various entities listed
4 in his schedules. (ECF No. 443).

5 On May 10, 2012, MAC filed an amended complaint in the Golden Sunray Action. (ECF
6 No. 446).¹⁴ Among other things, the amended complaint includes an objection to the Debtor’s
7 discharge pursuant to Section 727(a)(6)(A). The amended complaint alleges that the Debtor
8 refused to obey the Interim Involuntary Order by causing his interests in estate property to be
9 transferred, conveyed or concealed.

10 A hearing on the Second Turnover Motion was calendared for June 6, 2012, pursuant to
11 an order shortening time. (ECF No. 447). On May 30, 2012, Debtor filed opposition (ECF No.
12 451) and Lisowski filed a reply. (ECF No. 453).

13 The Second Turnover Motion was heard on June 6, 2012, and taken under submission.
14 On July 6, 2012, an order was entered denying the Second Turnover Motion. (ECF No. 460).

15 On October 22, 2012, MAC on behalf of the Moore Parties filed a motion to approve a
16 settlement agreement. (ECF No. 463). The settlement provided for a judgment in the amount of
17 \$750,000 to be entered against the Debtor in the Moore 523 Action and excepted from discharge
18 under Section 523(a)(2)(A). The judgment amount is to be paid over a five-year period at
19 \$150,000 per installment. The motion was scheduled to be heard on November 28, 2012. (ECF
20 No. 464).

21 On October 30, 2012, a voluntary Chapter 7 petition was filed by an entity known as CH
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23 ¹⁴ The amended complaint was docketed in the Debtor’s bankruptcy case and also was
24 docketed in the adversary proceeding at docket number 80. Both the original complaint and the
25 amended complaint in the Golden Sunray Action were filed on behalf of Lisowski by attorney
26 Aurbach and attorney April N. Bonifatto (“Bonifatto”) of the MAC law firm. On December 12,
2012, MAC filed a substitution indicating that attorney Jessica M. Goodey (“Goodey”) had
replaced attorney Bonifatto with respect to the Golden Sunray Action. (GS ECF No. 280).

1 Angelus II, LLC (“Angelus II”) commencing Case No. 12-22209-MKN.¹⁵ The petition was
2 signed by the Debtor on behalf of Angelus II and was filed by attorney Spencer Judd (“Judd”).
3 David A. Rosenberg (“Rosenberg”) was assigned as the Chapter 7 trustee to administer the
4 Angelus II case. On November 6, 2012, an order was entered authorizing Rosenberg to employ
5 Howard Kim & Associates (“Kim”) as general bankruptcy counsel for the estate. (Angelus II
6 ECF No. 11).

7 On November 14, 2012, MAC, on behalf of Barry R. Moore, Janie Moore, Barry R.
8 Moore and Janie Moore, Co-Trustees of the BMM Living Trust Dated July 16, 2003, Donald J.
9 Campbell, individually, Donald J. Campbell, Trustee of the Donald J. Campbell Professional
10 Corporation Profit Sharing Plan, John Esposito, individually, and Lorraine Esposito, individually
11 (“the Moore & Campbell Parties”), filed a motion for relief from stay in the Debtor’s bankruptcy
12 case (“Moore & Campbell RAS Motion”). (ECF No. 466). The Moore & Campbell Parties
13 sought an order determining that the automatic stay does not apply to certain pending state court
14 proceedings¹⁶ encompassing an adjudication of the Debtor’s membership interests in entities
15 identified as CH Angelus, LLC (“Angelus I”) and Angelus II. Alternatively, the motion sought
16 relief from stay to allow the 777 State Action to proceed to determine the Debtor’s interest in the
17 two entities. A hearing on the relief from stay motion was scheduled for December 19, 2012.
18 (ECF No. 471).

19 On November 28, 2012, a final judgment was entered with respect to the Debtor in the
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21 ¹⁵ The documents filed in the Angelus II bankruptcy proceeding will be referenced as
22 “Angelus II ECF No.”

23 ¹⁶ That action was commenced on August 6, 2009, in the Eighth Judicial District Court
24 for the State of Nevada, Clark County (“State Court”), and is styled as Barry R. Moore, et al. v.
25 William A. Gayler, et al., Case No. A-09-596777-C. Also named as defendants in that action are
26 Angelus I, Angelus II, CH Angelus Partners, LLC, a Nevada limited liability company, and
numerous others. In this memorandum decision, that lawsuit will be referred to as the “777 State
Action.”

1 O'Brien 523 Action. (ECF No. 472).¹⁷ The judgment awarded the total amount of \$500,000 to
2 John D. O'Brien as Trustee of the John D. O'Brien Profit Sharing Plan, Donald Campbell, and
3 Colby Williams, which amount is excepted from discharge under Section 523(a)(2).

4 On December 5, 2012, Debtor filed opposition to the Moore & Campbell RAS Motion.
5 (ECF No. 476). On the same date, MAC on behalf of Lisowski also filed a response even though
6 MAC also had filed the actual motion, i.e., MAC represented the moving party as well as a
7 responding party.¹⁸ (ECF No. 478). That response states only that Lisowski does not oppose the
8 motion that MAC had filed on behalf of the Moore & Campbell Parties and that Lisowski will
9 abide by the state court's ruling.¹⁹

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11 ¹⁷ The judgment was entered in the Debtor's bankruptcy case as well as in the adversary
12 proceeding at docket number 155.

13 ¹⁸ Parties who take both sides of a two-sided dispute are assured of prevailing in some
14 fashion. See Lodi v. Lodi, 173 Cal.App.3d 628, 631-32, 219 Cal.Rptr. 116, 118-19 (3rd Dist.
15 1985) ("In the circumstances, this result cannot be unfair to Mr. Lodi. Although it is true that, as
16 plaintiff and appellant, he loses, it is equally true that, as defendant and respondent, he wins! It is
17 hard to imagine a more even handed application of justice. Truly, it would appear that Oreste
18 Lodi is that rare litigant who is assured of both victory and defeat regardless of which side
19 triumphs."). Unlike pro se parties who might not know better, however, attorneys have
20 responsibilities to represent each of their clients' interests and the same attorney cannot represent
21 both sides where there is an actual conflict.

22 ¹⁹ On the date MAC filed the response, Lisowski also was the Chapter 7 trustee in a
23 separate case pending in this judicial district, In re Silver State Helicopters, LLC ("SSH"), Case
24 No. 08-10926-MKN ("SSH Proceeding"). In connection with a dispute in that case, Lisowski
25 represented that he underwent emergency back surgery in Colorado on or about November 14,
26 2012, was admitted to a hospital in Wisconsin for pneumonia through November 22, 2012, and
flew to Las Vegas in a debilitated condition to meet with the Office of the U.S. Trustee
("OUST") from December 10 through 13, 2012. See Reply to Opposition of the Acting United
States Trustee's Office and Student Creditor's Objections to the Trustee's Final Report and
Application for Compensation and Expenses at ¶¶ 17 through 21 (SSH Docket No. 2905);
Declaration of James F. Lisowski, Sr. at ¶¶ 13 and 14 (SSH Docket No. 2905-2); Declaration of
Julie A. Lisowski at ¶¶ 4 through 7 (SSH Docket No. 2906). MAC's representation of Lisowski
in connection with the Moore & Campbell RAS Motion clearly was beyond the scope of MAC's
employment as special counsel. Moreover, it is not clear how MAC could even communicate
with Lisowski given his apparent medical condition. Noticeably absent from the record is a

1 On December 7, 2012, an order was entered approving the settlement of the Moore 523
2 Action. (ECF No. 480).

3 On December 12, 2012, the OUST filed a notice stating that Rosenberg had been
4 appointed as successor Chapter 7 trustee in the Debtor's case in light of Lisowski's resignation
5 that had been communicated the previous day. (ECF No. 482). On the same date, MAC on
6 behalf of the Moore & Campbell Parties filed a reply to the opposition that the Debtor had filed
7 to the Moore & Campbell RAS Motion. (ECF No. 483).

8 On December 18, 2012, MAC on behalf Barry Moore as managing member of Angelus
9 II, and equity holders Barry R. Moore and Janie Moore as Co-Trustees of the BMM Living
10 Trust dated July 16, 2003, and Groth, LLC, CH Pichon, LLC, and Harlan LLC through their
11 managing member John O'Brien, filed a motion to dismiss the Angelus II bankruptcy proceeding
12 ("Angelus II Dismissal Motion"). (Angelus II ECF No. 14). Zachariah Larson ("Larson") was
13 the attorney at MAC who signed and filed the motion. The motion was accompanied by the
14 declarations of Barry Moore (Angelus II ECF No. 15) and John O'Brien (Angelus II ECF No.
15 16). The motion alleges that the Debtor had no authority to sign the bankruptcy petition or
16 authorize its filing on behalf of the limited liability company. The motion was noticed to be
17 heard on January 23, 2013. (Angelus II ECF No. 17).

18 On December 19, 2012, the Moore & Campbell RAS Motion was heard. MAC, through
19 attorney Dale Hayes ("Hayes") and attorney Goodey, appeared on behalf of both the Moore &
20 Campbell Parties as well as the bankruptcy estate. Debtor also appeared through counsel. Hayes
21 argued on behalf of the Moore & Campbell Parties that the Debtor's interest in Angelus I and
22 Angelus II can be determined expeditiously in the 777 State Action without additional
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25 declaration from Lisowski attesting to his assent to the relief sought by the Moore & Campbell
26 Parties.

1 administrative expense to the bankruptcy estate.²⁰ Goodey argued that the bankruptcy trustee
2 would abide by any state court resolution: if the state court determines that the interests in
3 Angelus I and Angelus II belong to the Debtor, then the interests would be administered through
4 the bankruptcy proceeding; but if the state court determines that the interests belong to the other
5 members of Angelus I and Angelus II (represented by MAC) or to the limited liability companies
6 themselves, rather than the Debtor, then the interests would not be administered by the Debtor's
7 bankruptcy trustee. After arguments were presented, the matter was taken under submission.

8 On January 9, 2013, Debtor filed opposition to the Angelus II Dismissal Motion (Angelus
9 II ECF No. 20) accompanied by his own declaration (Angelus II ECF No. 21). Concurrently,

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11 ²⁰ Hayes argued that the 777 State Action encompasses claims against the Debtor and
12 others for civil conspiracy, breach of fiduciary duty, aiding and abetting a breach of fiduciary
13 duty, fraud, negligence, quiet title, and declaratory relief. Debtor's counsel argued that such
14 claims as a personal liability of the Debtor would be discharged in bankruptcy unless the Moore
15 & Campbell Parties or other plaintiffs in the 777 State Action timely commenced an adversary
16 proceeding against the Debtor in the bankruptcy court under Sections 727 or 523. As of the date
17 of the hearing on the Disqualification Motion, the O'Brien 523 Action, the Moore 523 Action,
18 and the Golden Sunray Action were the only adversary proceedings commenced in the case. A
19 comparison between the plaintiffs named in the 777 State Action and the plaintiffs named in the
20 O'Brien 523 Action and the Moore 523 Action reflects that John Esposito, individually, and
21 Lorraine Esposito, individually, have not objected to the Debtor's discharge or sought to
22 determine the dischargeability of their claims. In the Golden Sunray Action that was commenced
23 by Lisowski on December 23, 2011, no objection to the Debtor's discharge under Section 727
24 was alleged until MAC on behalf of Lisowski filed an amended complaint on May 20, 2012.
25 None of the plaintiffs named in the 777 State Action are named as co-plaintiffs in the Golden
26 Sunray Action. As previously discussed at 10, supra, Lisowski's discharge objection alleged in
the Golden Sunray amended complaint is brought solely under Section 727(a)(6) and is based on
an alleged postpetition violation of the Interim Involuntary Order. Obviously a violation of the
Interim Involuntary Order cannot be the subject of the 777 State Action. Thus, simply allowing
the 777 State Action to proceed would not resolve the discharge claim asserted in the Golden
Sunray Action. As the court cannot retroactively extend the deadline to object to discharge or to
determine dischargeability of debt, see Anwar v. Johnson, 720 F.3d 1183, 1188 (9th Cir. 2013)
and Willms v. Sanderson, 723 F.3d 1094, 1101-03 (9th Cir. 2013), the remaining hopes of
creditors to pursue fraud and otherwise nondischargeable claims against the Debtor is for
Rosenberg to prevail on the discharge objection in the Golden Sunray Action. In contrast, the
plaintiffs named in the O'Brien 523 Action and the Moore 523 Action do not have to depend on
the outcome of that proceeding.

1 Judd filed a “Resolution of CH. Angelus II, LLC,” which ostensibly authorizes the filing of the
2 bankruptcy petition. The resolution is undated and is signed only by the Debtor, ostensibly as
3 managing member and as managing member of various non-managing member entities.
4 (Angelus II ECF No. 22).

5 On January 16, 2013, MAC through Larson, on behalf of the moving parties, filed a reply
6 to the Debtor’s opposition to the Angelus II Dismissal Motion. (Angelus II ECF No. 24). A
7 hearing on the motion was conducted on January 23, 2013. At the hearing (“January 23
8 Hearing”), Larson appeared on behalf of the moving parties, Judd appeared on behalf of Angelus
9 II, and Kim appeared on behalf of Rosenberg as trustee of the Angelus II bankruptcy estate. As
10 Rosenberg had only recently been appointed the Chapter 7 trustee in the Debtor’s case, the court
11 continued the hearing to allow Rosenberg time to familiarize himself with the facts and activity
12 in both cases.²¹

13 On January 29, 2013, a stipulation between the parties in the Golden Sunray Action was
14 filed. (ECF No. 487). That stipulation, apparently signed by MAC on behalf of the bankruptcy
15 estate, as well as counsel for the Debtor and counsel for Sunset II, LLC, addressed the disposition
16 of certain proceeds from the sale of real property owned by Sunset II, LLC (“Sunset II
17 Stipulation”). On February 1, 2013, MAC on behalf of the bankruptcy estate, filed a notice
18 scheduling a hearing on the Sunset II Stipulation to be held on February 28, 2013.

19 On February 14, 2013, MAC on behalf of Rosenberg, filed a motion for partial summary
20 judgment in the Golden Sunray Action (“GS MSJ-1”). (GS ECF No. 317). By that motion,
21 Rosenberg sought a declaration that the William A. Gayler Separate Property Trust, Morpheus
22 Enterprises, LLC and the Gayler Family Limited Partnership are property of the bankruptcy
23 estate. The motion also sought summary judgment as to the first, twenty-third and twenty-fourth
24

25 ²¹ The motion to dismiss the Angelus II proceeding initially was continued for status
26 purposes to April 3, 2013. After numerous additional continuances, the parties stipulated to
continue the motion to November 6, 2013. (Angelus II ECF No. 59).

1 claims for relief for avoidance of various transfers to an entity identified as TGF Holding Limited
2 Partnership. The motion was noticed to be heard on April 22, 2013. (GS ECF No. 329). On
3 February 26, 2013, MAC on behalf of Rosenberg, filed a second motion for partial summary
4 judgment as to the eighteenth claim for relief in the Golden Sunray Action (“GS MSJ-2”). (GS
5 ECF No. 338). That motion sought summary judgment determining that 23 Golden Sunray, LLC
6 is the alter ego of the Debtor. The latter motion also was noticed to be heard on April 22, 2013.
7 (GS ECF No. 341).

8 On February 19, 2013, Rosenberg filed an application to employ Kim as his general
9 bankruptcy counsel in the Debtor’s case in place and instead of the Lisowski Law Firm (“Kim
10 Employment Application”). (ECF No. 488). Among other things, the application asserts that
11 substitute counsel is required to investigate potential claims against Lisowski “and his
12 representatives in the case.” The application also asserts that “Due to the actual conflict and
13 other pending litigation matters, Trustee is also investigating whether MAC can continue to serve
14 as Trustee’s special counsel.” Pursuant to an order shortening time, a hearing on the Kim
15 Employment Application was scheduled for March 13, 2013. (ECF No. 496). No opposition to
16 the application was filed or presented, and an order authorizing Rosenberg to employ Kim was
17 entered on March 15, 2013. (ECF No. 500).

18 On March 12, 2013, Rosenberg filed a stipulation to stay further proceedings in the
19 Golden Sunray Action to permit settlement discussions. (GS ECF No. 347). On March 13,
20 2013, an order was entered staying further proceedings in accordance with the stipulation. (GS
21 ECF No. 348).

22 On April 5, 2013, MAC on behalf of Rosenberg, filed a motion to approve a compromise.
23 (ECF No. 503)²². That motion sought to approve the terms of the Sunset II Stipulation. The
24 motion was noticed to be heard on May 8, 2013. (ECF No. 504).

25
26 ²² The motion also was filed in the Golden Sunray Action. (GS ECF No. 357).

1 On April 11, 2013, MAC filed a motion to withdraw as special counsel for Rosenberg.
2 (ECF No. 507). That motion was noticed to be heard on May 15, 2013. (ECF No. 509).

3 On May 30, 2013, an order was entered approving the Sunset II Stipulation. (ECF No.
4 512).

5 On June 10, 2103, an order was entered granting MAC's motion to withdraw. (ECF No.
6 513).

7 On July 3, 2013, Kim, on behalf of Rosenberg, filed a separate motion to approve a
8 settlement between the bankruptcy estate, the Debtor, Debtor's counsel, certain individuals, and
9 various "Gayler Entities" ("Gayler Settlement Motion"). (ECF No. 516). Among others, the
10 Gayler Entities include 23 Golden Sunray, Limited Liability Company, CH Angelus, LLC, CH
11 Angelus II, LLC, Ch Pichon I, LLC, Dominus M-B, LLC, Groth Limited Liability Company,
12 Harlan, LLC, Sunset II, Limited Liability Company, and Sunset V, Limited Liability Company.
13 The motion was noticed to be heard on August 12, 2013. (ECF No. 522).²³

14 On July 10, 2013, a continued status hearing was held in the Angelus II proceeding. Once
15 again, Larson appeared on behalf of the moving parties, Judd appeared on behalf of Angelus II,
16 and Kim appeared on behalf of Rosenberg. At the status hearing, Larson indicated that his
17 clients would "strenuously disapprove" of a settlement encompassing the Debtor's alleged
18 management and ownership interest in Angelus II.

19 On July 17, 2013, Rosenberg filed the instant Disqualification Motion²⁴ by which he
20 seeks to preclude MAC from continuing to represent the John D. O'Brien Profit Sharing Plan.
21
22

23
24 ²³ The motion also was filed in the Golden Sunray Action. (GS ECF No. 361).

25 ²⁴ Attached to the Disqualification Motion as Exhibit "1" is a copy of an order filed on
26 August 24, 2012, in the 777 State Action regarding legal expenses and property taxes paid out of
certain settlement proceeds.

1 (ECF No. 524).²⁵ Rosenberg further seeks to preclude Larson as well as the law firm of Larson
2 & Zirzow, from continuing to represent Barry R. Moore and Janie Moore as co-trustees of the
3 BMM Living Trust dated July 16, 2003, Groth, LLC, CH Pichon, LLC, and Harlan LLC
4 through their managing member John O'Brien. The Disqualification Motion is supported by a
5 declaration from Rosenberg ("First Rosenberg Declaration"). (ECF No. 525).

6 On July 23, 2013, an order was entered approving a stipulation to have the
7 Disqualification Motion heard on September 4, 2013, and for the Gayler Settlement Motion to be
8 heard on November 6, 2013. (ECF No. 529).

9 On August 21, 2013, MAC filed opposition to the Disqualification Motion ("MAC
10 Opposition") (ECF No. 543) accompanied by the declaration of attorney Hayes ("First Hayes
11 Declaration") (ECF No. 544), the declaration of attorney Liane K. Wakayama ("Wakayama
12 Declaration") (ECF No. 545), and a further declaration of attorney Aurbach ("First Aurbach
13 Declaration") (ECF No. 546).²⁶ On the same date, opposition was filed by Larson on behalf of
14 himself and his current firm ("Larson Opposition") (ECF No. 547)²⁷, accompanied by a
15

16 ²⁵ In the Disqualification Motion, Rosenberg alleges that on May 18, 2010, MAC
17 commenced an additional State Court proceeding denominated Case No. A-10-616929-B, on
18 behalf of Barry Moore, John D. O'Brien, Don Campbell, J. Colby Williams, William Godfrey
19 and Eroom Holdings, LP alleging claims for breach of contract, unjust enrichment, and civil
20 conspiracy. The defendants named in that action included the Debtor, and CH Angelus IV, LLC,
21 as well as other individuals and entities ("929 State Action"). Rosenberg represents that the
22 action was dismissed as against the Debtor (presumably in light of the automatic stay) but
23 proceeded as to the remaining parties. After a non-jury trial, the state court apparently entered an
24 order quieting title to real property in the name of CH Angelus IV free of a note and deed of trust
25 that had been executed by the Debtor.

26 ²⁶ Attached as Exhibit "A" to the MAC Opposition is a copy of a transcript of the
27 January 23, 2013 hearing ("Jan23 Transcript") on the motion to dismiss the Angelus II
28 bankruptcy proceeding.

29 ²⁷ Attached as Exhibit "A" to the Larson Opposition is a copy of an email chain between
30 Kim, Larson, Aurbach and Coffing regarding the basis for and calendaring of the Disqualification
31 Motion.

1 declaration from Larson (“Larson Declaration”) (ECF No. 548).²⁸

2 On August 27, 2013, MAC filed a supplement to its opposition (“MAC Supplement”).
3 (ECF No. 551).²⁹

4 On August 28, 2013, Rosenberg filed a reply (“Reply”) (ECF No. 555)³⁰, accompanied by
5 an additional declaration of Rosenberg (“Second Rosenberg Declaration”). (ECF No. 556).

6 On August 30, 2013, MAC filed a supplemental declaration of Hayes (“Second Hayes
7 Declaration”). (ECF No. 560).

8 On September 2, 2013, Rosenberg filed an additional supplemental declaration (“Third
9 Rosenberg Declaration”). (ECF No. 562).

10 On September 3, 2013, Aurbach filed another declaration (“Second Aurbach
11 Declaration”). (ECF No. 565).

12 An initial hearing on the Disqualification Motion was held on September 4, 2013. At the
13 hearing, counsel for MAC orally moved to strike the Reply that Rosenberg had filed on August
14 28, 2013, and also presented a written “bench brief” that had not previously been served on
15 Rosenberg or his counsel. The hearing was continued to allow Rosenberg an opportunity to

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17 ²⁸ Larson attests that on January 1, 2012, he became an independent contractor of MAC,
18 but did not work and had no involvement with the Debtor’s bankruptcy case until December 15,
19 2012. See Larson Declaration at ¶¶ 5-6.

20 ²⁹ Attached as Exhibits “R” through “T” of the MAC Supplement are copies of a
21 subpoena to and the documents produced by Rosenberg in connection with the Angelus II
22 bankruptcy proceeding. Exhibit “T” consists primarily of email messages between counsel for
23 Rosenberg and the Debtor concerning the Gayler Settlement Motion.

24 ³⁰ Attached as Exhibit “1” to the Reply is a document apparently prepared by the Debtor
25 that summarizes his view of MAC’s alleged conflicts of interest. The summary is not
26 accompanied by a declaration or affidavit from the Debtor. As long as the Debtor is under
27 criminal indictment, see Exhibit “O1” attached to First Hayes Declaration, such a declaration or
28 affidavit may never be obtained. Also attached as Exhibits “2” through “5” are copies of certain
29 emails from Aurbach to Rosenberg or Kim, Aurbach or Bonifatto to Sylvester, and Bonifatto to
30 various creditors, as well as a transcript of a 2004 Examination of the Debtor taken on October 3,
2011.

1 respond.³¹ MAC filed the bench brief the following day. (ECF No. 567). In addition to filing
2 the bench brief, MAC also filed a supplement. (ECF No. 570).

3 On September 11, 2013, Rosenberg filed a response to the bench brief as well as a request
4 to strike the supplement filed by MAC. (ECF No. 574). The response was accompanied by an
5 additional declaration (“Fourth Rosenberg Declaration”). (ECF No. 575).

6 On September 16, 2013, an order was entered denying MAC’s request to strike the Reply
7 and also denying Rosenberg’s request to strike the supplement. (ECF No. 578). The order also
8 specified the time limits for the parties to present oral argument.

9 On September 19, 2013, the Disqualification Motion was heard by the court. After
10 presentation of arguments, the matter was taken under submission based on the written record.

11 APPLICABLE LEGAL STANDARDS

12 A bankruptcy trustee has a fiduciary duty to all creditors of the bankruptcy estate. See
13 generally 3 (collier on bankruptcy) ¶ 3-23.02[1] and 6 (collier on bankruptcy) ¶ 6-704.04[1]
14 (Alan N. Resnick and Henry J. Sommer, eds., 16th rev. ed. 2013).³² Attorneys employed by the
15 trustee on behalf of the estate also have a fiduciary duty to the bankruptcy estate. See In re
16 Taxman Clothing Co., 49 F.3d 310, 314 (7th Cir. 1995); Pierson & Gaylen v. Creel & Atwood

17

18 ³¹ The court inquired of the parties as to whether live witness testimony would be
19 presented. Counsel indicated that the Disqualification Motion would be submitted on the briefs
20 and written documents, and that an evidentiary hearing would not be necessary. No request was
21 made to close the hearing or to submit any evidence under seal. Thus, the only percipient witness
22 testimony before the court is contained in the various declarations filed on behalf of Rosenberg,
23 MAC and Larson. Several of the declarations do not state that they are submitted under penalty
24 of perjury as required by 28 U.S.C. § 1746, see Third Rosenberg Declaration, Wakayama
25 Declaration, First Hayes Declaration, Second Hayes Declaration, and Second Aurbach
26 Declaration, but no objections to their consideration on this basis have been raised. The court
therefore will consider all of the declarations for their full probative value, if any.

³² Section 704 sets forth a variety of duties that must be performed by a Chapter 7 trustee
which include collecting the assets of the bankruptcy estate, investigating the debtor’s financial
affairs, objecting to creditor claims if a purpose would be served, and, opposing, if advisable, the
debtor’s discharge.

1 (In re Consol. Bancshares, Inc.), 785 F.2d 1249, 1256 n.7 (5th Cir. 1986). Compare Woodson v
2 Fireman's Fund Ins. Co. (In re Woodson), 839 F.2d 610, 614 (9th Cir. 1988) (“As [Chapter 11]
3 debtor in possession he is the trustee of his own estate and therefore stands in a fiduciary
4 relationship to his creditors.”); Everett v. Perez (In re Perez), 30 F.3d 1209, 1219 (9th Cir. 1994)
5 (fiduciary responsibility also rests with bankruptcy counsel for Chapter 11 debtor in possession).
6 See also In re Count Liberty, LLC, 370 B.R. 259, 280 (Bankr.C.D.Cal. 2007) (collecting cases).

7 Section 327(a) authorizes a bankruptcy trustee to employ attorneys and other
8 professionals “that do not hold or represent an interest adverse to the estate, and that are
9 disinterested persons” to assist the trustee in carrying out his or her duties. 11 U.S.C. § 327(a).³³
10 Section 327(c) provides in pertinent part that “a person is not disqualified for employment
11 ...solely because of such person’s employment by or representation of a creditor, unless there is
12 objection by another creditor or the United States trustee, in which case the court shall
13 disapprove such employment if there is an actual conflict of interest.” 11 U.S.C. § 327(c).
14 Section 327(d) also authorizes a bankruptcy trustee to act as an attorney for the estate. See 11
15 U.S.C. § 327(d). Section 327(e) authorizes a trustee to employ, “for a specified special purpose,
16 other than to represent the trustee in conducting the case, an attorney that has represented the
17 debtor, if in the best interest of the estate, and if such attorney does not represent or hold any
18 interest adverse to the debtor or to the estate with respect to the matter on which such attorney is
19 to be employed.” 11 U.S.C. § 327(e).³⁴

21 ³³ Section 101(14) defines a “disinterested person” to mean a person that “(A) is not a
22 creditor, an equity security holder, or an insider; (B) is not and was not, within 2 years before the
23 date of the filing of the petition, a director, officer, or employee of the debtor; and (C) does not
24 have an interest materially adverse to the interest of the estate or of any class of creditors or
equity security holders, by reason of any direct or indirect relationship to, connection with, or
interest in, the debtor, or for any other reason.” 11 U.S.C. § 101(14).

25 ³⁴ Although the MAC Employment Application did not cite Section 327(e), the prayer of
26 the motion sought authorization for Lisowski to employ counsel “for the special purpose set forth
herein”. MAC Employment Application at 6:3.

1 FRBP 2014(a) applies to all professionals who seek to be employed under Section 327.
2 Every application for employment must be accompanied by a verified statement from the
3 professional “setting forth the person’s connections with the debtor, creditors, any other party in
4 interest, their respective attorneys and accountants, the United States trustee, or any person
5 employed in the office of the United States trustee.” FED.R.BANKR.P. 2014(a). The Ninth
6 Circuit has stated that ““The duty of professionals is to disclose all connections with the debtor,
7 debtor-in-possession, insiders, creditors, and parties in interest...They cannot pick and choose
8 which connections are irrelevant or trivial...No matter how old the connection, no matter how
9 trivial it appears, the professional seeking employment must disclose it.”” See Neben & Starrett,
10 Inc. v. Chartwell Fin. Corp. (In re Park-Helena Corp.), 63 F.3d 877, 882 (9th Cir. 1995), quoting
11 In re EWC, Inc., 138 B.R. 276, 280-81 (Bankr.W.D.Okla. 1992). All personal, professional,
12 financial and business connections must be disclosed. See, e.g., United States v. Azevedo (In re
13 Azevedo), 92 B.R. 910, 911 (Bankr.E.D.Cal. 1988)(“Thus, by way of example, if the trustee’s
14 son-in-law is to be employed in any professional capacity, such fact must be disclosed. The court
15 will then decide whether the professional satisfies the statutory standards and should be
16 employed.”); In re Kings River Resorts, Inc., 342 B.R. 76 (Bankr.E.D.Cal. 2006) (real estate
17 broker’s failure to disclose prior employment by Chapter 7 debtor); COM-1 Info, Inc. v.
18 Wolkowitz (In re Maximus Computers, Inc.), 278 B.R. 189 (B.A.P. 9th Cir. 2002) (special
19 counsel’s failure to disclose payment from and continued representation of creditor during
20 trustee’s employment of counsel to prosecute fraudulent transfer action); In re A.W. Logging,
21 Inc., 356 B.R. 506 (Bankr.D.Idaho 2006) (attorney’s failure to disclose postpetition purchase
22 transaction with Chapter 11 debtor in possession).

23 The purpose of the required disclosures is to permit the court to determine whether the
24 professional is a “disinterested person” within the meaning of Section 101(14) or to determine
25 that the person “does not represent or hold any interest adverse to the debtor or to the estate”
26 within the meaning of Section 327(e). See In re Sundance Self Storage-El Dorado LP, 482 B.R.

1 613, 630-31 (Bankr.E.D.Cal. 2012)(“It is the bankruptcy court that determines whether a
 2 professional’s connections render him or her unemployable under §327(a) - not the other way
 3 around.”). See also, Tevis v. Wilke, Fleury, Hoffelt, Gould & Birney, LLP (In re Tevis), 347
 4 B.R. 679 (B.A.P. 9th Cir. 2006)(adequate disclosure of connections required for court to
 5 determine disinterested status for purpose of awarding professional compensation). By its
 6 express terms, FRBP 2014(a) also requires that the proposed professional disclose his or her
 7 connections with the attorneys and accountants who represent other parties in interest in the case.

8 Failure to disclose connections is a serious matter. Professionals who fail to comply with
 9 the disclosure requirements of FRBP 2014(a) may be disqualified from further employment by
 10 the bankruptcy estate, see In re Plaza Hotel Corp., 111 B.R. 882, 891 (Bankr.E.D.Cal.), aff’d,
 11 Horner v. Webster, 123 B.R. 466 (B.A.P. 9th Cir. 1990), denied compensation for services
 12 rendered, see Park-Helena Corp., 63 F.3d at 882, and required to disgorge any fees previously
 13 paid from the estate. See Plaza Hotel Corp., 111 B.R. at 892. See also Law Offices of Ivan W.
 14 Halperin v. Occidental Fin. Grp., Inc. (In re Occidental Fin. Grp., Inc.), 40 F.3d 1059, 1063 (9th
 15 Cir. 1994).

16 Attorneys admitted to practice in this judicial district also are required to adhere to the
 17 standards prescribed by the rules of professional conduct adopted by the Supreme Court of
 18 Nevada. See LR 1A 10-7(a). Rule 1.9 of the Nevada Rules of Professional Conduct (“NRPC”)
 19 provides as follows:

- 20 (a) A lawyer who has formerly represented a client in a matter
 21 **shall not thereafter** represent another person in the same
 22 **or a substantially related matter in which that person's**
 23 **interests are materially adverse to the interests of the**
 24 **former client** unless the former client gives informed
 25 consent, confirmed in writing.
- 26 (b) A lawyer shall not knowingly represent a person in the
 same or a substantially related matter **in which a firm with**
which the lawyer formerly was associated had
previously represented a client:
(1) Whose interests are materially adverse to that

person; and
(2) About whom the lawyer had acquired information protected by Rules 1.6 and 1.9(c) that is material to the matter;

(3) Unless the former client gives informed consent, confirmed in writing.

(c) A lawyer who has formerly represented a client in a matter or whose present or former firm has formerly represented a client in a matter **shall not thereafter:**

(1) Use information relating to the representation to the disadvantage of the former client except as these Rules would permit or require with respect to a client, or when the information has become generally known; or

(2) Reveal information relating to the representation except as these Rules would permit or require with respect to a client.

(Emphasis added). “Information protected by [Rule] 1.6” refers to “information relating to representation of a client.” (nev.r.prof.c.)1.6(a).

NRPC 1.10 addresses the disqualification of an entire law firm where one of its attorneys is subject to disqualification. It provides as follows:

(a) While lawyers are associated in a firm, **none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so** by Rules 1.7, 1.9, or 2.2, unless the prohibition is based on a personal interest of the prohibited lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm.

(b) When a lawyer has terminated an association with a firm, the firm is not prohibited from thereafter representing a person with interests materially adverse to those of a client represented by the formerly associated lawyer and not currently represented by the firm **unless:**

(1) The matter **is the same or substantially related** to that in which the formerly associated lawyer represented the client; **and**

(2) **Any lawyer remaining in the firm has information protected by Rules 1.6 and 1.9(c) that is material to the matter.**

- 1 (c) A disqualification prescribed by this Rule may be waived
2 by the affected client under the conditions stated in Rule
3 1.7.
- 4 (d) Reserved.
- 5 (e) When a lawyer becomes associated with a firm, no lawyer
6 associated in the firm shall knowingly represent a person in
7 a matter in which that lawyer is disqualified under Rule 1.9
8 unless:
9 (1) The personally disqualified lawyer did not have a
10 substantial role in or primary responsibility for the matter
11 that causes the disqualification under Rule 1.9;
12 (2) The personally disqualified lawyer is timely screened
13 from any participation in the matter and is apportioned no
14 part of the fee therefrom; and
15 (3) Written notice is promptly given to any affected former
16 client to enable it to ascertain compliance with the
17 provisions of this Rule.

18 (Emphasis added).

19 The party seeking to disqualify opposing counsel bears the burden of establishing the
20 factual basis for the request. See, e.g., Coles v. Arizona Charlie's, 973 F.Supp. 971, 973 (D.
21 Nev. 1997) (motion to disqualify former counsel). See also Hernandez v. Guglielmo, 796
22 F.Supp.2d 1285, 1289 (D. Nev. 2011), quoting Kelly v. CSE Safeguard Ins. Co., 2010 WL
23 3613872 at *1 (D.Nev. Sep. 8, 2010) (“The moving party bears the burden of establishing an
24 ethical violation or other factual predicate upon which the motion depends.”). A party seeking to
25 disqualify its former attorney under NRPC 1.9(a) must establish that (1) an attorney-client
26 relationship previously existed, (2) the former representation is substantially related to the
attorney’s current representation of another party, and (3) the current representation is materially
adverse to the former client. See Sanchez v. Am. Family Mutual Ins. Co., 2012 WL 4498226 at
*1 (D.Nev. Sep. 28, 2012), citing Nev. Yellow Cab Corp. v. Eighth Judicial Dist. Court ex rel.
Cnty. of Clark, 123 Nev. 44, 50, 152 P.3d 737, 741 (Nev. 2007).

In determining whether the former representation is substantially related, the court must
“(1) make a factual determination concerning the scope of the former representation, (2) evaluate

1 whether it is reasonable to infer that the confidential information allegedly given would have
2 been given to a lawyer representing a client in those matters, and (3) determine whether the
3 information is relevant to the issues raised in the present litigation.” SHFL Entm’t, Inc. v.
4 DigiDeal Corp., 2013 WL 178130 at *2 (D.Nev. Jan. 16, 2013), citing Waid v. Eighth Judicial
5 District Court, 119 P.3d 1219, 1223 (Nev. 2005). Although the moving party need not identify
6 the confidential information that was given, see Robbins v. Gillock, 109 Nev. 1015, 1018, 862
7 P.2d 1195, 1197 (Nev. 1993), the inference that confidential information was given in the former
8 representation is rebuttable. See SHFL Entm’t, Inc. v. DigiDeal Corp., 2013 WL 178130 at *8
9 and *12, citing, e.g., La Salle Nat’l Bank v. Cnty. of Lake, 703 F.2d 252, 255-56 (7th Cir. 1983);
10 Edwards v. 360° Commc’ns, 189 F.R.D. 433, 439-440 (D.Nev. 1999).³⁵ See also Coles v.
11 Arizona Charlie’s, 973 F.Supp. at 974; Jones & Henry, Engineers, Ltd. v. Town of Orland, Ind.,
12 942 F.Supp. 1202, 1207 (N.D. Ind. 1996).³⁶ As to the evidence offered to rebut the inference, a
13 strict standard of proof is applied requiring the attorney to “clearly and persuasively show that he
14 was not privy to the confidences and secrets of the client.” La Salle Nat’l Bank, 703 F.2d at 257.
15 Any doubt as to the existence of a disabling conflict of interest must be resolved in favor of
16 disqualification. See SHFL Entm’t, Inc. v. DigiDeal Corp., 2013 WL 178130 at *7.

17 DISCUSSION

18 By his current motion, Rosenberg seeks to disqualify MAC from continuing to represent
19 O’Brien, particularly with respect to any opposition to the Gayler Settlement Motion. Rosenberg
20

21 ³⁵ In Waid, the former client’s in-house counsel submitted an affidavit attesting to the
22 attorney’s recent receipt of confidential information. In his opposition to the motion to
23 disqualify, the attorney did not dispute the assertion of receipt of confidential information nor did
24 he provide a contrary affidavit. 119 P.3d at 1224.

25 ³⁶ But compare N.Am. Deed, Inc. v. Joseph (In re N.Am. Deed), 334 B.R. 443, 451
26 (Bankr. D.Nev. 2005) (“To preserve public confidence in the legal profession and the trust to be
accorded to attorney-client communications, ‘the presumption that the lawyer *did* learn what he
could (reasonably) have learned in the first representation is an irrebuttable one.’ (HAZARD &
HODES, *supra* § 13.5, at p. 13–16 (emphasis in original).”).

1 also seeks to disqualify Larson (and his current law firm) from continuing to represent in this
2 bankruptcy proceeding, the parties for whom Larson filed the Angelus II Dismissal Motion³⁷,
3 also particularly in opposition to the Gayler Settlement Motion.

4 In its response, MAC argues that Rosenberg has failed to establish grounds for
5 disqualification under NRPC 1.9. Moreover, even if such grounds were established, MAC
6 maintains that Rosenberg has waived any “right” to disqualify MAC, and that disqualification
7 would unduly prejudice creditors whose interests are jeopardized by the Gayler Settlement
8 Motion.

9 In his response, Larson also argues that Rosenberg has failed to establish the requirements
10 for disqualification under NRPC 1.9, that MAC fully disclosed its connections when it applied
11 for employment as special counsel, and that Rosenberg has consented “in writing” to his
12 continued employment.

13 **1. The Disqualification Requirements Under NRPC 1.9.**

14 There is no dispute that an attorney-client relationship previously existed between MAC
15 and Lisowski in connection with the Debtor’s case. There is no dispute that an attorney-client
16 relationship existed between MAC and Rosenberg in connection with the Debtor’s case. There is
17 no dispute that Larson was an independent contractor of MAC during MAC’s attorney-client
18 relationship with both Lisowski and Rosenberg in connection with the Debtor’s case. There is no
19 dispute that Lisowski no longer serves as bankruptcy trustee in the Debtor’s case. There is no
20 dispute that MAC no longer represents Rosenberg in connection with the Debtor’s case. There is
21 no dispute that Larson does not represent Rosenberg in connection with the Debtor’s case. There

22
23 ³⁷ As previously discussed at 13, supra, the parties to the Angelus Dismissal Motion are
24 Barry Moore as managing member of Angelus II, and equity holders Barry R. Moore and Janie
25 Moore as Co-Trustees of the BMM Living Trust dated July 16, 2003, and Groth, LLC, CH
26 Pichon, LLC, and Harlan LLC through their managing member John O’Brien. Although the
Disqualification Motion is brought solely in the Debtor’s case, the court’s conclusions herein
apply equally to Larson’s representation of the moving parties in the Angelus II proceeding.

1 is no dispute that MAC currently represents John D. O'Brien individually and as Trustee of the
2 John D. O'Brien Profit Sharing Plan, Donald J. Campbell, J. Colby Williams, William Godfrey,
3 Barry R. Moore, Janie Moore, Barry R. Moore and Janie Moore, Co-Trustees of the BAMB
4 Living Trust Dated July 16, 2003, John Esposito, Lorraine Esposito, Mario P. Borini, Bianca
5 Borini, Joseph Borini, and Eroom Holdings, LP in connection with the Debtor's case. There is
6 no dispute that Larson currently represents John D. O'Brien Profit Sharing Plan and Barry R.
7 Moore and Janie Moore as Co-Trustees of the BAMB Living Trust Dated July 16, 2003, Groth,
8 LLC, CH Pichon, LLC, and Harlan LLC Through Their Managing Member John O'Brien in
9 connection with the Angelus II case.

10 Given these circumstances, the remaining inquiry under NRPC 1.9(a) is whether MAC's
11 and Larson's prior representation of Lisowski or Rosenberg is substantially related to their
12 current representation of other clients, and whether their current representation is materially
13 adverse to either Lisowski or Rosenberg. See Nev. Yellow Cab Corp., 123 Nev. at 50, 152 P.3d
14 at 741. In determining whether counsel's former representation of Lisowski and Rosenberg is
15 substantially related to their current representation of other clients, the focus is on the
16 information obtained during the former representation and the relevance of the information to
17 their representation of the current clients. See Waid, 119 P.3d at 1223.

18 **a. Information from Lisowski.**

19 With respect to former trustee Lisowski, there is no evidence before the court as to any
20 information obtained from the former Chapter 7 trustee that would be relevant to either MAC's
21 or Larson's representation of their current clients in connection with the instant case.³⁸ There is
22 no declaration or affidavit from Lisowski, nor even a deposition transcript offered into evidence.
23 None of the declarations submitted on behalf of MAC, Larson or Rosenberg in connection with
24

25 ³⁸ Rosenberg attests that MAC and therefore Larson received confidential information
26 from Lisowski, see First Rosenberg Declaration at ¶¶ 28, 32, 34, 35, and 45, but has no personal
knowledge of whether Larson did so.

1 the Disqualification Motion explain why Lisowski's testimony was not sought, obtained, or
2 elicited.³⁹ Thus, the only basis on which Rosenberg can establish that MAC and Larson obtained
3 relevant information from Lisowski is the evidentiary presumption arising from the prior
4 attorney-client relationship. Whether MAC and Larson have provided sufficient evidence to
5 rebut that presumption will be addressed below.

6 **b. Information from Rosenberg.**

7 With respect to current trustee Rosenberg, the record primarily consists of four
8 declarations from Rosenberg as well as the communications gleaned from the declarations
9 submitted on behalf of MAC and Larson.

10 **(1) The Rosenberg Declarations.**

11 Of the four declarations, only the First Rosenberg Declaration and Second Rosenberg
12 Declaration refer to any actual or alleged communications between Rosenberg and MAC or
13 Larson.⁴⁰ The relevant paragraphs of the First Rosenberg Declaration state as follows:

14 28. From January 2012 until June 2013, Larson was privy to information gained by
15 MAC in their representation of the Former Trustee and myself for Gayler's
16 bankruptcy estate. As Larson filed the Reply in Support of Trustee's Motion for
17 Turnover of Non-Exempt Personal Property and Funds Pursuant to 11 U.S.C. §§
541 and 542 [Dkt. No. 453], it is reasonable to infer that Larson had knowledge of

18 ³⁹ There is no representation in any of the declarations that any of the parties attempted to
19 subpoena Lisowski to appear at the hearing on the Disqualification Motion. This may be because
20 none of the parties attempted or even desired to subject any witnesses to direct and cross-
21 examination. Ironically, the day before the hearing on the instant motion, Lisowski personally
22 appeared before this court on September 18, 2013, in connection with a hearing in the SSH
23 Proceeding described in note 19, supra. In connection with the latter hearing, MAC had even
filed an objection to the relief being sought by Lisowski, but did not appear at the hearing. It thus
appears that Lisowski was available to the parties but for some reason no one thought to obtain
his testimony on the information he may have shared with MAC or Larson.

24 ⁴⁰ Additionally, the declarations are replete with expressions of the current trustee's
25 feelings and impressions about aspects of the case, including the motivations of other parties,
26 rather than statements based on personal knowledge. In response to the Second Hayes
Declaration, the Third Rosenberg Declaration retracts or "clarifies" several of the statements
made by the current trustee in the Second Rosenberg Declaration.

1 Gayler's bankruptcy case and may have been one of the primary attorneys
2 assigned to the case.

3 31. Larson was present at the February 4, 2013 meeting where I, my counsel and five
4 of MAC's attorneys had very frank discussions regarding everything related to the
5 state court proceedings and bankruptcy matters.

6 32. Moreover, as Larson filed the Reply in Support of Trustee's Motion for Turnover
7 of Non-Exempt Personal Property and Funds Pursuant to 11 U.S.C. §§ 541 and
8 542 [Case No. 09-31603-MKN, Dkt. No. 453], it is reasonable to infer that
9 confidential information would have been given to Larson and that Larson had
10 knowledge of Gayler's bankruptcy case and the Adversary Proceeding.

11 34. The confidential information MAC received in its representation of the Former
12 Trustee and myself in Gayler's bankruptcy case is directly relevant to the instant
13 matter.

14 35. As counsel to the Former Trustee and myself in Gayler's bankruptcy case, MAC
15 obtained information related to Gayler's bankruptcy, Gayler's finances, the
16 Adversary Proceeding, the Trustee's position, and Gayler's position, including
17 information pertaining to Gayler's interest in Angelus II. MAC then used this
18 information to argue that Gayler's interest in Angelus II belonged to Gayler's
19 bankruptcy estate.

20 36. Moreover, MAC drafted the majority of the settlement agreement currently
21 pending in Gayler's bankruptcy case, and as such, MAC knows the strengths and
22 weaknesses involved in the settlement.

23 37. Larson, having been formerly associated with MAC until just recently, was in
24 privity to the information obtained by MAC as counsel to the Former Trustee and
25 myself.

26 The relevant paragraphs of the Second Rosenberg Declaration are much more numerous
and state as follows:

7. When I inherited this case from James F. Lisowski, Sr. ("Former Trustee"), my
first call was to the Former Trustee. My second call was to special counsel
already hired on the case, MAC.

8. My conversations with MAC began in an unsettling manner. At the first meeting
with MAC, I was given a brief introduction to the case and brought up to date by
Phillip Aurbach ("Aurbach") and Jessica M. Goodey ("Goodey"). In the course of
our discussion, Aurbach let it slip that he was an investor in one of the Gayler
entities. I expressed my confusion at how he could be representing the estate
when he had a personal pecuniary interest in the outcome of some of the very
same property disputes we were litigating in bankruptcy. Aurbach was defensive
and implied that because he and his firm had been working for free on
contingency this did not matter and the estate was not being harmed.

9. Aurbach presented me with a copy of the settlement agreement that he had drafted
for the Former Trustee. According to Aurbach, the Former Trustee did not see
much value in the case because the largest creditor was the IRS and there was
unlikely to be any distribution to general, unsecured creditors. Aurbach also
indicated that the Former Trustee had, for lack of a better word, abdicated control
and decision making authority for the case to him. By way of example, he
described how the most recent settlement talks had fared and why they broke
down. Essentially, Aurbach indicated that the Former Trustee gave him complete
authority, with the need to first run it by the Former Trustee, to negotiate the

1 settlement and accept any terms which Aurbach felt were satisfactory.
2 Apparently, the two sides were within \$20,000 of a mutually agreeable number
3 that could be paid to Gayler in cash as part of the settlement - yet, Aurbach
4 independently decided to end settlement negotiations and continue with the
5 litigation. When I asked why an agreement could not be reached when the two
6 sides were so close, Aurbach responded that the creditors would never have
7 accepted it anyway because they did not want to see Gayler get a dime. As such,
8 he unilaterally decided that settlement would not be in the best interest of the
9 estate.

10 11. Following that meeting, I had many occasions to speak with Goodey who, like
11 me, was new to the case. She provided me with many documents that helped me
12 put the case in perspective, as well enough background for me to oversee the
13 continuing litigation.

14 12. One document which Goodey provided me was a breakdown of how the proceeds
15 from another Gayler entity, Sunset V, were distributed following action brought
16 against that entity in state court. Because this was one of the entities which
17 Gayler had been manager of prior to bankruptcy, I was surprised to find out that it
18 had been liquidated outside of bankruptcy. More surprising, however, was seeing
19 Aurbach's name among the members who were paid when the Gayler entity was
20 dissolved. Also, MAC was listed as having done the legal work that led to the
21 distribution and it had been paid from the proceeds prior to proportionate shares
22 going back to members.

23 13. I immediately called Goodey and we discussed how MAC had allowed this entity
24 - which was one of the Debtor's companies that the estate was alleging had been
25 fraudulently transferred and should be property of the estate - to have its rights
26 adjudicated in state court. I asked what participation the bankruptcy estate had in
the state court proceedings and was told that, despite having, at the very least, an
interest in the proceeds, MAC had not filed any documents in the state court
proceedings to stay them or to protect the estate's interest in the proceeds.

21. In regard to the litigation strategy followed, even Aurbach admitted that there had
been numerous mistakes and setbacks. Though Aurbach had been in charge of the
case, he tried to pin the blame for the estate's misfortunes on a junior attorney
who worked for MAC (but had since been fired). Aurbach admitted that he was
not as proficient in bankruptcy as in other aspects of the law, but felt that, through
trial and error, the estate was slowly gaining traction.

23. The final straw was an interaction that I had with Goodey when we met at MAC's
office. During that meeting, Goodey closed the door so she could speak to me
privately. Goodey confided that she was very uncomfortable with information she
was learning in this case and, like me, she wondered whether MAC was putting
the estate's interests first. While I do not remember every detail of our
conversation, I left that meeting knowing that Aurbach was not the only member
of MAC who personally had a stake in Gayler's entities and a history with the
Debtor.

24. After discussing my findings with Howard C. Kim ("Kim"), I told him to arrange
a meeting with my attorneys at MAC so I could voice my concerns and hear their
explanation. Contrary to the recollection given by MAC, this was not a meeting
to get me up to speed on the case.

25. That meeting was held on February 4, 2013. In the meeting, in addition to myself
and Kim, the following MAC attorneys were in attendance: Aurbach, Terry
Coffing ("Coffing"), Dale Hayes ("Hayes"), Zachariah Larson ("Larson"), and
Wakayama.

- 1 27. I began the meeting by laying all my cards on the table and telling MAC what I
2 had observed and how I felt that the estate's position has been compromised due
3 to the lack of representation in the state court proceedings.
- 4 29. I demanded that MAC disclose to me every attorney at the firm with any
5 relationship or interest that in any manner, no matter how tenuous, could be traced
6 to Gayler. I was then informed that only Hayes and Aurbach had prior dealings
7 with Gayler. Aurbach did not appreciate my tone and candor, and told me that
8 MAC would quit right then and there. I responded that he seemed to be
9 overreacting and that his behavior was not giving me confidence that MAC was
10 competent and should continue to represent the estate. I told MAC that I was
11 going to evaluate the situation and would get back to them.
- 12 30. Kim also expressed his confusion and concern with what we had already
13 uncovered. Kim asked Hayes how he can be serving two masters. Hayes replied
14 that the estate and the MAC Creditors have been working together and their
15 interests are presently aligned. Kim asked what happens when our interests
16 diverge and he said that MAC would have to choose a side. Kim corrected him
17 and explained that should that day arrive, the estate would expect MAC to
18 withdraw from representing any and all parties in Gayler.
- 19 31. Hayes erupted and began yelling at Kim until Hayes was literally red in the face.
20 At this point, I jumped back into the conversation and asked Hayes to explain to
21 me how his other clients and the estate were aligned and why this was a good
22 thing. Hayes proceeded to explain and Aurbach presented a PowerPoint
23 presentation that diagramed how Gayler's assets were being pursued in the state
24 and bankruptcy court litigation.
- 25 32. This where I learned, for the first time, that the state court litigation was getting
26 closer to the day when Gayler's right to proceeds in CH Angelus, LLC ("Angelus
I") and CH Angelus II, LLC ("Angelus II") would be arbitrated and potentially
extinguished. Hayes admitted that when that moment arrived, the MAC Creditors
would obviously be adverse to the estate. I responded that I believed they had
always been adverse and that MAC should have been representing the estate in the
state court litigation all along. Aurbach did not have a good answer as to why the
estate had never made an appearance or filed anything in the state court litigation
nor why MAC was comfortable leaving it to Gayler to fight for the estate's share
of the money.
33. At this point, I inquired of my lawyers from MAC if there was a way to avoid that
irreconcilable conflict that was on the horizon. I asked for ideas and suggested
that perhaps the estate might consider settling with the MAC Creditors for some
percentage of the proceeds.
34. This is because I felt that the estate's position has been severely compromised due
to lack of representation in the state court proceeding. Therefore, I told them it
would be better to reach a settlement than to litigate the issues at this stage of the
litigation.
35. I asked Wakayama and Hayes to find out what the MAC Creditors would agree to
for us to avoid litigation.
36. Wakayama's response of "my clients will never accept that" was the first time that
any of the attorneys in the room made a direct statement that suggested that the
best interests of the estate were not being put first. Kim chimed in and said, "The
Trustee is your client."
37. I ordered her, as my attorney, to present the idea to the MAC Creditors and she
reluctantly agreed. By this time, the meeting was pretty much over.
38. After the meeting, over a beer from the private tap at MAC's office, I continued to

1 talk to Kim, Larson, and Coffing about the case and the estate's challenges and
2 opportunities. I had this conversation with them because I believed that they were
part of the MAC team that represented the estate.

3 (2) **The Larson Declaration.**

4 The relevant paragraphs of the Larson Declaration state as follows:

- 5 4. Prior to January 1, 2012, I was a partner in my own firm, Larson & Larson
6 ("L&L"). L&L and I had absolutely no involvement or knowledge of the Gayler
bankruptcy or any of the associated matters.
- 7 5. On or about January 1, 2012, I became an independent contractor of Marquis
8 Aurbach Coffing ("MAC"), associated as "Of Counsel." While employed at
9 MAC, I did not do any work and was not involved in the representation of the
Trustee as Special Counsel in the In re Gayler bankruptcy. I also did not do any
work and was not involved in the representation of any of the other creditors in
the In re Gayler bankruptcy or in any other matter until on or about December 15,
2012.
- 10 6. I have not made any appearances in the In re Gayler bankruptcy until the filing of
11 this Opposition. I was not involved in MAC's representation of the Trustee as
Special Counsel and I have no knowledge of any confidential information related
to MAC's representation of the Trustee as Special Counsel.
- 12 7. Of the 539 documents filed in the In re Gayler bankruptcy, only one was filed
13 under my ECF number, a Reply to the Opposition to the Trustee's Motion for
Turnover of Non-Exempt Assets [Dkt.No.453 in the In re Gayler bankruptcy] (the
14 "Reply to Turnover Motion"). The Reply to Turnover Motion was not prepared,
reviewed or even discussed with me. I had no knowledge of the Reply to
Turnover Motion.
- 15 8. I was unaware that the Reply to Turnover Motion was filed in the In re Gayler
16 bankruptcy under my ECF number until recent discussions with Mr. Howard Kim,
Trustee Rosenberg's counsel, just prior to the filing of the Disqualification
17 Motion. See a true and correct copy of an E-mail Correspondence from Larson v.
Mr. Kim dated July 16, 2013, attached to the opposition as Exhibit A.
- 18 9. Upon review of the Court Docket in the In re Gayler bankruptcy and of the Reply
19 to Turnover Motion after the Disqualification Motion was filed, it is clear that the
Reply to Turnover Motion was prepared by Phillip Aurbach and April Bonifatto
20 of MAC and signed by Ms. Bonifatto. See Dkt.No. 453. All other documents
associated with the Turnover Motion were filed under Ms. Bonifatto's ECF
number. See id.
- 21 10. Again, I was not aware that the Reply to Turnover Motion was filed under my
ECF number, nor did I knowingly consent to the use of my ECF number in the
22 filing of that document.
- 23 11. I acknowledge that my ECF number should not have been utilized on a document
that I did not author, review or sign. I set forth these facts related to the use of my
24 ECF number, not to excuse the lapse, but rather to simply advise the Court of my
lack of knowledge or authorization of the use of my ECF number on the Reply to
Turnover Motion.
- 25 12. On or about December 15, 2012, I was contacted to represent John D. O'Brien
Profit Sharing Plan and Counsel for Barry R. Moore and Janie Moore as Co-
26 Trustees of the BAMB Living Trust Dated July 16, 2003, Groth, LLC, CH
Pichon, LLC, and Harlan LLC Through Their Managing Member John O'Brien

1 (the “L&Z Clients”) in the In re CH Angelus II, LLC bankruptcy. To date, my
2 involvement has been limited to my representation of the L&Z Clients in the CH
Angelus II, LLC bankruptcy.

- 3 13. In representing the L&Z Clients in the In re CH Angelus II, LLC bankruptcy, I
4 became aware of facts related to the CH Angelus II, LLC bankruptcy as set forth
5 in the filed Motion to Dismiss, the Declarations and the Reply filed in support
6 thereof [Dkt.Nos. 14, 15, 16, and 24 in the In re CH Angelus II, LLC bankruptcy].
7 Specifically, that Gayler, without corporate authority, caused a Chapter 7 petition
8 to be filed on behalf of CH Angelus II.
- 9 14. I was also advised generally of the August 6, 2009 state court litigation filed in the
10 Eighth Judicial District Court in Clark County, Nevada, Case No. A-09-59677-C
11 (“Angelus II 777 State Court Case”) wherein the L&Z Clients filed a complaint
12 against Gayler and others, which sought, among other things, to quiet title of the
13 property owned by Angelus II in the name of the respective LLC.
- 14 15. I was also advised generally of the September 25, 2012 state court litigation filed
15 in the Eighth Judicial District Court in Clark County, Nevada, Case No. A-12-
16 668997-B (“Angelus II 997 State Court Case”) wherein the L&Z Clients filed a
17 complaint against Gayler and others, which sought, multiple causes of action
18 related to Gayler’s unauthorized conduct and setting aside the sale and transfer to
19 a third party.
- 20 17. I anticipate that the L&Z Clients will request that either L&Z or MAC file an
21 objection to the Trustee’s Motion to Approve Settlement in the In re Gayler matter
22 as it is the Creditors’ opinion that the Motion solely benefits the Debtors, his
23 attorneys, and the other individuals who have assisted the Debtor in his
24 malfeasance.
- 25 18. On or about February 4, 2013, I attended a meeting at the MAC law offices (“the
26 February Meeting”) with Trustee Rosenberg, Trustee’s Counsel, Howard Kim,
and the following MAC attorneys: Phillip Aurbach, Terry Coffing, Dale Hayes
and Liane Wakayama.
19. At the February Meeting, the MAC attorneys present conveyed to Trustee
Rosenberg and Trustee’s Counsel the status of various proceedings pending that
were related to Gayler’s malfeasance.
20. I attended to discuss the In re CH Angelus II, LLC bankruptcy and, once again,
advised Trustee Rosenberg and his counsel of the factual basis for the claims that
Gayler had no corporate authority on behalf of CH Angelus II and was no longer
the managing member of CH Angelus II.
21. Trustee Rosenberg and Mr. Kim did not share any confidential information at the
February Meeting as both were new to the Gayler matters and had no confidential
information to provide. Furthermore, Trustee Rosenberg and Mr. Kim fully
consented to the participation of all counsel at the February Meeting, including
myself, and never once objected to the participation of any counsel present on the
basis of any alleged conflict or on the basis that any alleged confidential
information was exchanged.
22. On July 3, 2013, Trustee Rosenberg filed a Motion to Approve Settlement in this
matter (“Settlement Motion”) requesting the Court to approve a Settlement
Agreement between Trustee Rosenberg and Gayler, his Counsel, Jeff Sylvester,
and Gayler’s alleged cohorts in his fraudulent schemes, Martin Barrett (“Barrett”)
and Walter Loerwald (“Loerwald”). The Settlement Agreement was signed by
Gayler, individually and on behalf of 120 entities, including CH Angelus II, LLC.
29. In light of the fact that the Settlement Agreement benefits Gayler and his counsel
and was signed without actual corporate authority from CH Angelus II, LLC and

1 likely many of the other entities, I advised Trustee Rosenberg and this Court of
2 the issues surrounding the self-serving Settlement Agreement and of the
possibility that the Settlement Motion would be opposed.

3 30. Only after I indicated that the Settlement Motion had been rejected previously by
the Creditors of the Gayler estate and that I anticipated that it would, therefore, be
opposed did Trustee Rosenberg cry "Conflict."

4 33. Trustee Rosenberg has previously stated that he intends to take the position
5 previously taken by Former Trustee Lisowski that the estate's interest in the
Gayler entities only exists to the extent that Gayler is found to actually still hold
an interest.

6
7 **(3) The Wakayama Declaration.**

8 The relevant paragraphs of the Wakayama Declaration state as follows:

9 3. Throughout the course of the past three years, I have worked on the cases filed by
MAC on behalf of the Creditors identified in the Opposition involving the Ch.
10 Angelus, LLC; Ch. Angelus II, LLC; Ch. Angelus IV, LLC; and Diamonte Rose,
LLC investments (the "Gayler Litigation").

11 6. I attended a meeting held on February 4, 2013 at the MAC law offices (the
"February Meeting"). The February Meeting was attended by Dale Hayes, Phillip
12 Aurbach, Terry Coffing, Zachariah Larson, Jessica Goodey, Trustee David
Rosenberg and Howard Kim. At the time, I understood that the purpose of the
February Meeting was to aid Trustee Rosenberg and Mr. Kim in the process of
13 getting up to speed on all of the litigation surrounding William A. Gayler.

14 7. During the February Meeting, Mr. Hayes and I explained the procedural posture of
the Gayler Litigation. Everything that I communicated to Trustee Rosenberg and
15 Mr. Kim was a matter of public record as all information was accessible on the
courts' docket and records. Neither Trustee Rosenberg nor Mr. Kim ever
16 communicated any information to me, confidential or otherwise, in relation to the
Gayler Litigation.

17 8. After the February Meeting, I authored a letter to Mr. Kim dated February 13,
2013. In this letter, I outlined the discussions primarily held at the February
Meeting and also reminded Mr. Kim of the upcoming trial concerning Ch.
18 Angelus IV, LLC investment. A true and accurate copy of the February 13, 2013
letter is attached hereto as Exhibit A2.

19 9. On March 2, 2013, Mr. Kim responded to my February 13, 2013 letter via email.
A true and accurate copy of the March 2, 2013 email from Mr. Kim to me is
20 attached hereto as Exhibit B2. As a result of Mr. Kim's March 2, 2013 email,
MAC delivered all requested documents and videos associated with the Ch.
21 Angelus IV, LLC lawsuit to Mr. Kim on or about April 24, 2013. A true and
accurate copy of the signed Receipt of Copy dated April 24, 2013 is attached
22 hereto as Exhibit C2.

23 As partially referenced in the above paragraphs, copies of a letter and an email message from
24 Wakayama to Kim and from Kim to Wakayama are attached as Exhibits "A2" and "B2" to the
25 Wakayama Declaration. Also attached as Exhibit "C2" is a copy of a receipt apparently executed
26 by Kim acknowledging delivery of a compact disc containing documents in connection with the

1 929 State Action.

2 (4) **The Hayes Declarations.**

3 The relevant paragraphs of the First Hayes Declaration⁴¹ state as follows:

4 3. Throughout the years, I have represented and continue to represent John O'Brien,
5 individually and as Trustee of the John D. O'Brien Profit Sharing Plan, Donald J.
6 Campbell, J. Colby Williams, William Godfrey, Barry R. Moore, Janie Moore,
7 Barry R. Moore and Janie Moore, Co-Trustees of the Bamm Living Trust Dated
8 July 16, 2003, John Esposito, Lorraine Esposito, Mario P. Borini, Bianca Borini,
9 Joseph Borini, and Eroom Holdings, LP.

10 4. As of April 14, 2011, MAC was prosecuting five different lawsuits on behalf of
11 the parties identified in ¶3 in the Eighth Judicial District Court and William A.
12 Gayler's ("Gayler") bankruptcy proceedings:

13 [A table appears in this paragraph listing the following matters pending in
14 the State Court and in the Bankruptcy Court: Moore et al v. Gayler et al,
15 Case No. A562214 filed May 1, 2008; Moore et al v. Gayler et al, Case
16 No. A596777, Moore et al v. Ch. Angelus IV et al, Case No. A616929;
17 O'Brien et al v. Gayler, Adv. No. 11-01027; and Moore et al v. Gayler,
18 Adv. No. 11-01188]

19 True and accurate copies of all Complaints are attached hereto as Exhibits A1, B1,
20 C1 D1 and E1.

21 27. On February 4, 2012, I attended a meeting to discuss the status of the cases
22 outlined herein with the Trustee David A. Rosenberg and his counsel, Howard
23 Kim, Esq. The meeting also was attended by Liane Wakayama, Terry Coffing,
24 Phillip Aurbach, Jessica Goodey and Zach Larson. All information that I
25 conveyed to Trustee Rosenberg and Mr. Kim were matters within the courts'
26 public record. At no time during this meeting did Mr. Rosenberg or Mr. Kim
relax any information to me, confidential or otherwise, involving Mr. Gayler, the
investments or any strategy that Mr. Rosenberg or Mr. Kim intended to employ as
a Trustee and counsel for Mr. Gayler's estate. Quite frankly, the meeting was
designed to bring Mr. Rosenberg and Mr. Kim up to speed with respect to Mr.
Gayler and the investments he mismanaged so they could have some
understanding of what was involved in the cases.

28. As one of the Creditors' attorneys, I have never been involved in any settlement
discussions with Trustee Rosenberg or Mr. Kim.

The Second Hayes Declaration responds to Rosenberg's Reply and does not expand or

41 Attached as Exhibits "A" through "Q" of the First Hayes Declaration are copies of
various pleadings filed in the State Court as well as in the bankruptcy court, various motions
filed and orders and judgments entered, a transcript of a meeting held by members of Angelus I
and Angelus II, and a copy of an indictment of the Debtor filed in the State Court on March 5,
2013.

1 detract from the declarant's prior statements concerning the receipt of confidential information.⁴²

2 **(5) The Aurbach Declarations.**

3 The relevant paragraphs of the First Aurbach Declaration⁴³ state as follows:

- 4 2. On May 23, 2011, I was appointed Special Counsel to the Gayler Bankruptcy
5 Trustee, Jim Lisowski (Dkt.No. 205) to recover Assets. I have never served as
6 General Counsel to any Trustee appointed over Gayler's bankruptcy proceedings.
7 Mr. Lisowski was succeeded by David Rosenberg on December 12, 2012. My job
8 was limited to bringing assets into the Bankruptcy estate as a result of fraudulent
9 transfers by Gayler. Throughout my engagement as Special Counsel, from
10 5/23/11 to today, no confidential facts or strategies were ever conveyed by either
11 Trustee to our firm. Neither Jim Lisowski nor David Rosenberg knew anything
12 about Gayler, his numerous entities, or the elaborate fraud perpetrated against
13 investors. It was my job, as Special Counsel, to conduct an investigation and to
14 draft pleadings to recover those assets, which I did. During my investigation of
15 Gayler, including 29 examinations under Rule 2004 and review of over 45,000
16 documents (bank records, tax returns and transfer documents), I discovered a
17 massive scheme to hide assets from the bankruptcy estate. All of this information
18 was transmitted to Lisowski and Rosenberg.
- 19 3. In relation to the Ch. Angelus, LLC ("Angelus I"); Ch. Angelus II, LLC ("Angelus
20 II"); Ch. Angelus IV, LLC and Diamante Rose, LLC investments, all information
21 came from MAC's representation of the Creditors identified in the Opposition.
22 As Special Counsel, I did not discover, investigate or obtain any of the facts
23 related to any of those investments other than Gayler's transfer of his membership
24 interests related to those entities.
- 25 4. On December 14, 2012, Jessica Goodey and I met with Rosenberg. We tried to
26 bring him up to speed on this incredibly complex case. During our meeting,
Rosenberg specifically brought up the fact that Dale Hayes, also a shareholder at
MAC, represented creditors in Gayler's bankruptcy proceedings. Mr. Hayes' function on behalf of his clients was to investigate Gayler's fraud upon them. My function was to uncover fraudulent transfers of assets I believed were assets of Gayler's. Rosenberg alluded to a possible conflict, but did not instruct me to withdraw or take any other action.
5. The only communication from Rosenberg after the December 14, 2012 meeting were requests for information. We complied and probably sent him over 100mb of information.
6. In Paragraph 28 of his Declaration, Rosenberg references the fact that Zach

22 ⁴² Attached as Exhibit "U" to the Second Hayes Declaration is a copy of certain
23 correspondence from the Debtor dated December 17, 2007, regarding an entity identified as DA
24 1147 LLC, in which attorney Hayes at one time had an interest.

25 ⁴³ Attached as Exhibit "A3" to the First Aurbach Declaration is a copy of the same email
26 from Bonifatto to various creditors that is attached as Exhibit "5" to the Reply. Also attached as
Exhibit "B3" to the First Aurbach Declaration is a copy of an email chain from Goodey to
Rosenberg and his counsel.

1 Larson signed the Reply in Support of Trustee's Motion for Turnover of Non-
2 Exempt Personal Property and Funds. To the best of my knowledge, that Motion
3 dealt with different matters than the present dispute regarding settlement terms.
4 Furthermore, Zach Larson was never part of the team acting as Special Counsel.
5 Mr. Larson did not sign the Reply, and his name appears nowhere on the Reply.
6 Only certain MAC attorneys are registered with the bankruptcy court to file
7 documents. I believe that April Bonifatto of our firm was not so registered when
8 this Reply was prepared, so I believe she simply asked Zach Larson to file it for
9 her. The fact that he did so is meaningless.

8. By asserting claims in the Adversary Proceeding involving the Ch. Angelus
6 entities, I was preserving any rights to Gayler's claimed interest in these entities
7 on behalf of the Bankruptcy Estate. When certain creditors requested the
8 Bankruptcy Court to determine that the automatic stay does not apply or grant
9 relief from the automatic stay, my recollection is that Trustee Lisowski directed
10 me to not oppose the request, but instead to allow the creditors to proceed with
11 arbitration and monitor the proceedings.
9. In paragraph 30 of David Rosenberg's Declaration, he states that the majority of
10 the settlement agreement now under consideration was drafted by me. I have no
11 knowledge as to whether that's true or not. In or about January 2012, settlement
12 discussions began between me, as Special Counsel to the trustee, and Gayler's
13 attorney, Sylvester. I did in fact draft a proposed settlement agreement at Jim
14 Lisowski's request. This was sent out to creditors, but several objected so
15 Lisowski directed me not to proceed any further regarding this settlement. A true
16 and accurate copy of the September 24, 2012 email to the creditors is attached
17 hereto as Exhibit A3. Based on the unanimous rejection by the creditors, I ended
18 all settlement negotiations with Gayler and began focusing my efforts on pursuing
19 litigation to recover assets for the Bankruptcy Estate. As Special Counsel, I never
20 advocated for or sought further approval of the rejected settlement. The fact that
21 Rosenberg decided to use the form I had created when he later entered into
22 settlement negotiations with Gayler without my knowledge or participation was
23 totally his decision. The fact that I created the template for the settlement
24 agreement has no significance in my mind.
10. On February 4, 2013, Rosenberg and his attorney, Howard, Kim, came to the
18 MAC offices for a meeting with Dale Hayes, Liane Wakayama, Terry Coffing,
19 Jessica Goodey, Zach Larson and me. The purpose of the meeting was to share
20 with Rosenberg and Kim what we had learned about the case. I put on a
21 PowerPoint to explain Angelus I and II, the litigation to void Alper's \$2MM Deed
22 of Trust, and ultimate settlement on appeal with approximately \$1.4MM coming
23 from the title company to those entities to split. Much of this information, which
24 was a matter of public record, came from Mr. Hayes and Ms. Wakayama. I
25 discussed what I had learned during my investigation of Gayler's numerous
26 fraudulent transfers and how I was going to prove the fraudulent transfers to
recover funds for the estate. Mr. Hayes and Ms. Wakayama summarized all of the
litigation they had handled on behalf of the Creditors. To my recollection, all
facts and strategies we had developed as Special Counsel for the Trustee were not
confidential and were disclosed to all persons present at the February 4, 2013
meeting. This was done with the consent and participation of Rosenberg and
Kim. There was no way that Mr. Hayes, Ms. Wakayama or Zach Larson could
later take advantage of confidential information somehow transmitted to me,
because (1) there was no confidential information; and (2) the facts and law
relating to my focus on fraudulent transfers had nothing to do with the Ch.

1 Angelus' investments. All such information was disclosed with Rosenberg's
2 consent.

- 3 11. Ms. Goodey and I were in the middle of a very large motion for summary
4 judgment. We didn't feel comfortable stopping in the middle so we finalized it
5 and filed it with the approval of Rosenberg. A true and accurate copy of the email
6 exchange between MAC and Rosenberg's counsel, Kim, is attached hereto as
7 Exhibit B3.
8 12. Since the time of his appointment in December 2012, Rosenberg did not involve
9 me in any settlement negotiations with Gayler, his counsel, Martin Barrett or
10 Walter Loerwald.
11 13. Because Rosenberg retained Kim, I ultimately withdrew from acting as Special
12 Counsel to the Trustee. We filed a Motion to Withdraw on April 11, 2013, which
13 was granted on June 10, 2013. I am unaware of any "confidential information"
14 that I received during my representation as Special Counsel to the Trustee which
15 could help or hurt the Trustee relating to anything - especially the removal of
16 Gayler as manager of Angelus II, the filing of the Angelus II bankruptcy, or the
17 settlement agreement.

18 The relevant paragraphs of the Second Aurbach Declaration state as follows:

- 19 1. Background. Mr. Gayler made a lot of money creating entities (usually limited
20 liability companies ("LLCs")), buying real property for the various LLCs,
21 managing and controlling the LLCs, and, as manager, deciding when to sell the
22 property (usually for a profit) subject to the requisite member approval. Mr.
23 Gayler would own a percentage of each LLC, sometimes individually or through
24 another entity. I believe I had invested with Mr. Gayler, in three or 4 of limited
25 liability companies that Gayler manages: Polyrus, LLC 5% (which may own some
26 of Sunset III); Sunset 8, LLC 2.5%; and Sunset V, LLC 20%. Mr. Gayler's
business plan worked well until the real estate downturn. Then, in 2008 and 2009,
creditors started suing Gayler. According to his 2004 examination, Gayler saw
the downturn in the economy coming in 2008 and 2009.
4. One of Dale Hayes' clients, John O'Brien, who I had known since 1977 when I
started practicing law, passed me in the hallway of one of Maclaw's buildings and
told me that Mr. Gayler was about to receive over \$100,000, which he believed
were assets of the estate, and asked if there was any way I could contact Mr.
Lisowski to get that money for the bankruptcy estate instead of allowing it to go to
Mr. Gayler. I contacted Mr. Lisowski, and he suggested I get appointed as Special
Counsel to help get assets into the bankruptcy estate.
5. In April 2011, I applied and on May 23, 2011, I was appointed Special Counsel to
James Lisowski, (former) trustee of the above-captioned bankruptcy estate, to
recover, preserve, and protect assets of the bankruptcy estate (the "Estate") for a
1/3 contingency fee. When I applied to be Special Counsel in May 2011, I did not
perceive a conflict since I was going after assets owned by Gayler, individually,
pre-bankruptcy, usually fraudulent transfers, to bring them into the estate. On the
other hand, the Maclaw creditors were suing to invalidate unauthorized loans
entered into by Gayler as Managing Member on behalf of non-bankruptcy entities,
Angelus I, Angelus II and Angelus IV. These entities were not owned by Mr.
Gayler. Mr. Gayler only claimed to hold membership interests in these entities. If
Angelus I, Angelus II and Angelus IV were successful in saving the investment
property, Gayler's membership interests would not be wiped out through
foreclosure. If the Maclaw creditors were not successful, Mr. Gayler would have

1 no ownership interest to claim in Angelus I, Angelus II, or Angelus IV because the
2 investment properties would be gone. Thus, the interests of the Maclaw creditors
and the bankruptcy estate were aligned - save for the investment properties. There
3 was no conflict.

4 Paragraphs 7, 8, 9 and 11 of the Second Aurbach Declaration consist of tables setting forth point-
5 by-point responses to both paraphrased and quoted portions of Paragraphs 8, 9, 10, 13, 14, 17,
6 18, 27, 28, 29 and 30 of the Second Rosenberg Declaration.

7 **c. Summary of the Evidentiary Record.**⁴⁴

8 The scope of MAC's representation as special counsel was dictated by the MAC
9 Employment Order. That order approved the MAC Employment Application and specified that
10 MAC would be employed for a one-third contingency fee based on the gross recovery of any
11 settlement. The MAC Employment Application specified that MAC would be employed "for the
12 purpose of investigating and proceeding with specific litigation issues regarding multiple
13 potential fraudulent conveyance actions and/or preference actions." There is some indication in
14 the record that MAC may have performed services beyond simply fraudulent conveyance and
15 preference actions, e.g., filing the Dominus Sale Motion, but there is no indication that the MAC
16 Employment Order was modified at any point during MAC's tenure as special counsel to
17 Lisowski and Rosenberg.

18 As to former trustee Lisowski, Rosenberg speculates that MAC and Larson may have
19 received confidential information from Lisowski, see First Rosenberg Declaration at ¶¶ 28, 32,
20 34, 35, 36 and 37, but he has no personal knowledge of any such exchange. Rosenberg attests
21 that he immediately contacted Lisowski after being assigned the case, but does not describe even
22 in the vaguest terms what information was provided by Lisowski to MAC or Larson. There is no
23 declaration or affidavit from Lisowski to support the current trustee's assertions. It does not
24 appear that a 2004 Examination or deposition of Lisowski was taken or that any effort was made

25 ⁴⁴ For ease of reference, the meeting between counsel that took place on February 4,
26 2013, will be referred to as the "February Meeting."

1 to subpoena Lisowski to testify at the hearing on the Disqualification Motion. No emails or
2 correspondence, redacted or unredacted, between Lisowski and MAC or Larson were offered into
3 evidence to establish a pattern of sharing confidential information.⁴⁵

4 As to current trustee Rosenberg, he attests that MAC received confidential information
5 from him, see First Rosenberg Declaration at ¶¶ 34 and 35, and that Larson was privy to that
6 information. Id. at ¶ 37. He attests that he had an initial meeting with Aurbach and Goodey, see
7 Second Rosenberg Declaration at ¶¶ 8 and 9, and several additional discussions with Goodey. Id.
8 at ¶¶ 11, 12, 13 and 23. He also indicates that he participated in the February Meeting with
9 Aurbach, Coffing, Hayes, Wakayama, Goodey, Larson and Kim. Id. at ¶¶ 24, 25, 27, 29, 30, 31,
10 32, 33, 34, 35, 36, 37 and 38.

11 Aurbach attests that neither Lisowski nor Rosenberg conveyed any confidential
12 information or strategies to MAC, see First Aurbach Declaration at ¶ 2, that after December 14,
13 2012, the only communications from Rosenberg were requests for information that was provided
14 by MAC, see id. at ¶ 5, that no confidential information was shared at the February Meeting, see
15 id. at ¶ 10, and that he generally is not aware of any confidential information received by MAC as
16 special counsel to the bankruptcy estate. Id. at ¶ 13. Hayes attests that no confidential
17 information was received from Rosenberg or Kim at the February Meeting. See First Hayes
18 Declaration at ¶ 27. Wakayama also attests that no confidential information was communicated
19 by Rosenberg or Kim at the February Meeting, see Wakayama Declaration at ¶ 7, and that she
20 thereafter provided documents to Kim regarding the Angelus IV Action. Id. at ¶ 9. Larson
21 attests that he never had any involvement in the Debtor's bankruptcy at MAC until he was
22 contacted in connection with the Angelus II bankruptcy, see Larson Declaration at ¶¶ 4, 5 and 12,

24 ⁴⁵ This is somewhat unexpected because Lisowski's law firm also served as general
25 counsel to the Debtor's bankruptcy estate and MAC was special counsel. One could reasonably
26 expect to find a record that activity between the law firms was being coordinated in some aspect
to prevent duplication of efforts and expenses in representing the bankruptcy estate.

1 and that no confidential information was shared by Rosenberg or Kim at the February Meeting.
2 Id. at ¶ 21.

3 **d. Conclusion under NRCP 1.9.**

4 In this case, MAC's failure to disclose Aurbach's current financial connections with the
5 Debtor was an egregious violation of FRBP 2014(a). The Aurbach Verified Statement
6 accompanying the MAC Employment Application represented that Aurbach had no connections
7 with the Debtor, his creditors or other parties in interest even though the Aurbach RAS
8 Declaration revealed that Aurbach had a 20% interest in Sunset V. And even that was not
9 Aurbach's only financial connection as he only disclosed in response to the Disqualification
10 Motion that he also had an interest in Polyrus, LLC, Sunset 8, LLC, and possibly Sunset III, LLC
11 (through Polyrus, LLC).⁴⁶ In view of those connections, neither Aurbach nor MAC were
12 disinterested persons within the meaning of Section 101(14), and so could not have been
13 employed by the bankruptcy estate under Section 327(a). While special purpose counsel may be
14 employed under Section 327(e), MAC's failure to comply with FRBP 2014(a) likely would have
15 required disqualification from further employment and denial of compensation.

16 But in this case, MAC already has withdrawn as special counsel and is not seeking
17 compensation from the estate. Instead, the current trustee seeks to disqualify MAC from
18 representing creditors of the estate based on MAC's previous representation as special counsel to
19 Lisowski and Rosenberg. For the same reason, Rosenberg also seeks to disqualify Larson from
20 representing certain creditors of the estate.

21 As previously discussed, Rosenberg as the moving party has the burden of establishing
22
23
24

25 ⁴⁶ Hayes also had a prior financial connection to the Debtor through his investment in
26 DA 1147 LLC, see note 42, supra, which was required to be disclosed under FRBP 2014(a). See
Park-Helena Corp., 63 F.3d at 882.

1 that MAC and Larson are in violation of NRPC 1.9.⁴⁷ See SHFL Entm't, Inc. v. DigiDeal Corp.,
2 2013 WL 178130 at *8; Robbins v. Gillock, 109 Nev. at 1017, 862 P.2d at 1197.

3 The scope of MAC's representation of both Lisowski and Rosenberg was dictated by the
4 MAC Employment Order. The court can infer that Lisowski may have given confidential
5 information to MAC in connection with MAC's investigation and pursuit of fraudulent transfer
6 and preferential transfer actions. The record establishes that MAC did, in fact, commence the
7 Golden Sunray Action on behalf of Lisowski seeking, inter alia, the avoidance of fraudulent
8 transfers under Section 548(a)(1)(a) and postpetition transfers under Section 549(a).⁴⁸ Other than
9 the inference that may be drawn from the attorney-client relationship, however, there is no
10 evidence in the record to establish that Lisowski provided confidential information to MAC or
11 discussed strategies regarding his management of the litigation. Additionally, none of the
12 exhibits in the record that may have been created during the period of Lisowski's tenure as
13 former trustee, see Exhibit "A3" to First Aurbach Declaration, Exhibits "A1" through "M1" to
14 First Hayes Declaration, Exhibit "U" to Second Hayes Declaration, Exhibit "1" to
15 Disqualification Motion, and Exhibits "3" through "5" to Reply, evidence the exchange of
16

17 ⁴⁷ NRPC 1.9(a) allows a client to consent in writing to former counsel's representation of
18 another person in the same or substantially related matter. NRPC 1.9 does not specify, however,
19 the mechanism for the parties to resolve disputes over former client conflicts. An obvious
20 solution would be for former counsel to simply not represent the new client. But for former
21 counsel motivated by loyalty to the new client, animus towards the old client, or simply greed,
22 NRPC 1.9 offers little guidance other than "don't do it." Seeking an advisory opinion from
23 Nevada Office of Bar Counsel may be of limited utility due to the nature of the potential
24 disclosures that would be required. For the same reason, commencing a lawsuit in the nature of
25 declaratory relief might itself be in violation of the confidences of the former client. So former
26 counsel typically is left to wait until its former client affirmatively seeks a court order
disqualifying counsel. It is little wonder that disqualification motions, such as this one, draw so
much attention and rancor.

⁴⁸ The record indicates that MAC later amended the complaint in the Golden Sunray
Action on May 20, 2012, to include a claim under Section 727(a)(6) to deny the Debtor's
discharge. See discussion at 10 and 14 n.20.

1 confidential information between Lisowski and MAC. Compare LaSalle Nat'l Bank v. Cnty. of
2 Lake, 703 F.2d at 254 and 256 (former counsel's access to written memoranda and documents to
3 prepare formal legal opinion for county defendant); SHFL Entm't, Inc. v. DigiDeal Corp., 2013
4 WL 178130 at *10-11 (patent marking memorandum prepared by former counsel with
5 confidential information from employees; emails between former counsel and employees
6 regarding policies, procedures and strategies).

7 Based on the MAC Employment Order, the court also can infer that Rosenberg may have
8 given confidential information to MAC in connection with MAC's investigation and pursuit of
9 fraudulent transfer and preference actions. As previously discussed at note 10, however, the
10 deadline for such actions to be commenced on behalf of the bankruptcy estate elapsed on March
11 29, 2012, well before Rosenberg became the current trustee on December 12, 2012. So as of the
12 date on which Rosenberg became the successor trustee, MAC had commenced all of the
13 avoidance actions encompassed by the MAC Employment Order.

14 Other than the inference that may be drawn from the continued attorney-client
15 relationship between MAC and Rosenberg as successor trustee of the bankruptcy estate, there is
16 no evidence in the record to clearly establish that Rosenberg provided confidential information to
17 MAC or Larson, or discussed strategies regarding his oversight of the existing litigation. As to
18 Larson, Rosenberg attests only to his belief that Larson was privy to the information that MAC
19 obtained from the bankruptcy trustees. See First Rosenberg Declaration at ¶¶ 28 and 31.
20 Rosenberg attests that he "began the [February Meeting] by laying all of my cards on the table,"
21 see Second Rosenberg Declaration at ¶ 27, and that the participants "had very frank discussions
22 regarding everything related to the state court proceedings and bankruptcy matters," see First
23 Rosenberg Declaration at ¶ 31, but provides no indication that private information or litigation
24 strategies were discussed. Likewise, his testimony concerning his interactions with Aurbach and
25 Goodey prior to the February Meeting, see Second Rosenberg Declaration at ¶¶ 8, 9, 11, 12, 13,
26 21 and 23, as well as his animated description of the events at the February Meeting, id. at ¶¶ 29,

1 30, 21, 32, 33, 34, 35, 36, 37 and 38, do not state that Rosenberg provided any information at all
2 to Aurbach, Hayes, Goodey, Coffing, Wakayama or Larson. Additionally, the exhibits in the
3 record that were created after Rosenberg became the successor trustee, see Exhibit “B3” to First
4 Aurbach Declaration, Exhibit “A” to Larson Opposition, Exhibits “A2” through “C2” to
5 Wakayama Declaration, Exhibits “N1” through “Q1” to First Hayes Declaration, Exhibits “R”
6 through “T” to MAC Supplement, and Exhibit “2” to Reply, do not evidence the exchange of
7 confidential information between Rosenberg and MAC.

8 By contrast, Aurbach, Hayes, Wakayama, and Larson are categorical in denying their
9 receipt of any confidential information from either Lisowski or Rosenberg. Aurbach and Larson
10 provide the only competent testimony regarding Lisowski’s communications with MAC or
11 Larson, and both deny that any confidential information was received. See First Aurbach
12 Declaration at ¶ 2; Larson Declaration at ¶¶ 6, 7 and 12. Apparently, only attorney Bonifatto
13 assisted Aurbach in representing Lisowski and there is no contrary testimony from Bonifatto.
14 More important, as previously emphasized, there is no contrary testimony from Lisowski.

15 With respect to communications after Rosenberg’s appointment as successor trustee on
16 December 12, 2012, Aurbach and Larson are joined by Hayes and Wakayama in their denial of
17 receipt of confidential information from Rosenberg. Although Rosenberg apparently had several
18 private communications with Goodey, see Second Rosenberg Declaration at 11, 12, 13 and 23,
19 and Goodey participated in the February Meeting, there is no testimony from Goodey to support
20 either Rosenberg’s or MAC’s characterizations. Finally, attorney Kim is counsel for the current
21 trustee, was present at the February Meeting, and has interacted with Larson, Wakayama, Hayes
22 and Aurbach. Yet there is no declaration from Kim attesting in any way that confidential
23 information was shared by Rosenberg or Kim with any of the MAC attorneys or Larson.

24 In this instance, Rosenberg, MAC and Larson eschewed an evidentiary hearing where the
25 differences and discrepancies in the witnesses’ testimony could be addressed. All of them
26 waived their respective opportunities to cross-examine witnesses. As a result, the court will

1 accept the written testimony for its probative value in light of the burden placed on Rosenberg as
2 the party seeking disqualification, as well as the burden on MAC and Larson to rebut the
3 inference of receipt of confidential information.

4 For the reasons discussed, the court concludes that MAC and Larson have sufficiently
5 demonstrated that they were not privy to confidential information or strategies of Lisowski or
6 Rosenberg during their tenure as special counsel. Any inference of receipt of confidential
7 information as a result of their prior representation of the bankruptcy trustees has been rebutted.
8 Additionally, Rosenberg has failed to independently establish that MAC or Larson received
9 confidential information. As a result, Rosenberg has not met his burden under NRPC 1.9(a) of
10 establishing that the MAC and Larson's former representation is substantially related to their
11 representation of their current clients. As a further result, firm-wide disqualification under
12 NRPC 1.10 does not apply.

13 **2. Rosenberg's Waiver or Consent.**

14 In addition to maintaining that it received no confidential information from the trustees,
15 MAC argues that Rosenberg consented at the January 23 Hearing in the Angelus II case to
16 MAC's continued representation. See MAC Opp. at 30:17-23. MAC asserts that Rosenberg
17 made a written waiver of any objection because the oral representations of his counsel at the
18 hearing were recorded. See MAC Opposition at 30:12-16. Additionally, MAC argues that
19 Rosenberg waived any objection by unduly delay in seeking disqualification. See MAC
20 Opposition at 38:13 to 39:12.

21 Larson argues that Lisowski consented to the employment of MAC with full knowledge
22 of MAC's representation of various creditors. Larson argues that Lisowski's consent should be
23 extended to Rosenberg. See Larson Opp. at 18:14-22. Larson also maintains that by allowing
24 MAC to file the first partial summary judgment motion in the Golden Sunray Action, Rosenberg
25 consented to Larson's clients moving forward in state court to determine their interests in
26 Angelus I and Angelus II. Id. at 18:23-26. Like MAC, Larson further argues that Rosenberg

1 consented in writing to MAC's continued employment as special counsel because previous court
2 hearings were recorded at which Rosenberg did not object. Id. at 18:26-28.

3 The representations made by Kim at the January 23 Hearing do not establish that Kim
4 waived on behalf of Rosenberg any objection to MAC's continued employment. In response to
5 the court's inquiry as to Rosenberg's retention of counsel in the case, attorney Kim stated as
6 follows: "And he's staying with Marquis & Aurbach because they've been working on this case
7 for over two years. I know for a fact that Mr. Rosenberg has been meeting with Mr. Aurbach
8 himself several times to try to come up to speed on this case because there were no documents
9 provided and missing a lot of important information, so he's just now got in touch with Mr.
10 Lisowski there to try to communicate about this case your Honor." Jan23 Transcript at 13:23 to
11 14:12. In response to the court's inquiry into whether Rosenberg was thinking about replacing
12 MAC as special counsel, Kim stated as follows: "Your Honor, without going out on a limb, I
13 don't think so, your Honor, because Marquis & Aurbach was hired on a contingency basis. My
14 understanding is that they have expended over \$900,000 in fees and costs so far, and it would be
15 very burdensome for someone else to come up to speed on this case, although, you know, the
16 parties have discussed their potential conflict arising from representing both sides of the fence, so
17 to speak. But I can represent to the Court that Mr. Rosenberg is inclined to stay with Marquis &
18 Aurbach for now, your Honor." Id. at 14:15 to 15:4. At most, these statements reflect that
19 Rosenberg had not yet decided whether to retain MAC as special counsel, but do not constitute a
20 waiver of any conflict or binding consent to continued representation.

21 Rosenberg's delay in seeking disqualification of MAC and Larson is not unreasonable
22 under the circumstances. All parties to the instant motion concede that the Debtor's case is
23 complex, involving multiple actions in State Court and in the bankruptcy court, as well as
24 multiple cases and contested matters. Complete details of MAC's financial connections with the
25 Debtor were not fully disclosed to the court, if at all, until after the Disqualification Motion was
26 filed. Having created the predicament by violating the disclosure requirements of FRBP 2014(a),

1 MAC is in no position to argue that Rosenberg has been unreasonable in seeking disqualification
2 after attempting to sort through the complexities of the case.⁴⁹ Although unreasonable delay may
3 warrant denial of an otherwise meritorious disqualification motion, see Ipatt Grp., Inc. v. Scotts
4 Miracle-Gro Co., 2013 WL 3043677 at *6 n.6 (D.Nev. Jun17, 2013), the delay in the instant
5 matter was not unreasonable.

6 With respect to Lisowski's initial employment of MAC as special counsel, there is no
7 indication that Lisowski was aware of Aurbach's existing financial connections to the Debtor or
8 of Hayes' prior financial connection. Only Aurbach's name appears on the MAC Employment
9 Application and the accompanying Aurbach Verified Statement did not disclose the financial
10 connections.⁵⁰ As previously reflected with respect to the purported sharing of confidential
11 information, the parties to this Disqualification Motion refer to Lisowski's involvement when it
12 serves their purposes, but none of the parties have offered testimony from Lisowski to support
13

14 ⁴⁹ MAC argues that after the February Meeting, it has been paid \$325,629.40 in legal fees
15 and costs by its clients, the majority of which is attributable to preparation for the trial in the 929
16 State Action. See MAC Opposition at 38:17-20 and Wakayama Declaration at ¶ 5. The true
17 significance of this amount is that it illustrates the enormity of the risk that MAC visited upon the
18 O'Brien group of clients when it took Lisowski on as an additional client while violating the
19 disclosure requirements of FRBP 2014(a). The risk is magnified given that since 2008, the
20 creditor clients apparently paid MAC over \$1,400,000 in attorneys fees and costs for their
21 services in connection with the Debtor. See MAC Opposition at 41:4-8. The record does not
22 reflect whether the O'Brien group of clients was informed that MAC would seek to be employed
23 by Lisowski and, more important, the possible consequences if MAC did not properly obtain
24 court approval.

25 ⁵⁰ The Aurbach Verified Statement bears a signature date of April 11, 2011, but was not
26 electronically filed, along with the MAC Employment Application, until April 14, 2011. The
Aurbach RAS Declaration in which Aurbach disclosed his interest in Sunset V bears a signature
date of April 13, 2011, corresponding to the date the 65% Owners RAS Motion was filed. If
Lisowski signed the MAC Employment Application on the same date the Aurbach Verified
Statement was executed, it would have been before the Aurbach RAS Declaration was signed
and filed. Thus, the court cannot infer that Lisowski was aware or put on notice of Aurbach's
financial connection to the Debtor based on the sequence in which the Aurbach RAS Declaration
and MAC Employment Application were filed.

1 their factual assumptions. On this record, the court cannot conclude that Lisowski knowingly
2 waived any objections to MAC's initial or continued employment as special counsel. Lisowski's
3 purported waiver or consent therefore cannot be extended to Rosenberg.

4 As to the MAC's filing of the first partial summary judgment motion in the Golden
5 Sunray Action, Larson appears to be referring to a footnote buried on the last page of the motion.
6 That footnote states in part that "The Trustee recognizes that certain creditors have sought relief
7 from the automatic stay to proceed with an arbitration to determine whether or not Gayler, pre-
8 bankruptcy, sold his interests in Ch. Angelus and Ch. Angelus II." GS MSJ-1 at 28 n.131.
9 Nothing in that language or the balance of that footnote, however, sets forth Rosenberg's express
10 or even implied consent to Larson's or MAC's clients proceeding forward in the 777 State
11 Action.

12 Even more overreaching than the waiver or consent arguments are counsel's contention
13 that Rosenberg gave a written waiver or consent because the January 23 Hearing was recorded.
14 Although MAC's counsel represented at the hearing that he had caselaw to support this
15 argument, counsel could only refer to NRPC 1.0(b) or 1.0(n) rather than any relevant judicial
16 decision. The language of NRPC 1.0, however, simply does not support the conclusion asserted
17 by MAC and Larson.

18 NRPC 1.0(b) defines "confirmed in writing" to mean "informed consent" given in
19 writing. NRPC 1.0(n) defines "writing" or "written" to include a record of a communication or
20 representation by print or recording, and a "signed" writing to be an expression of the parties'
21 intent to sign the writing. As previously discussed, Kim's statements at the January 23 Hearing
22 were not a conflict waiver nor a binding consent to continued representation by Rosenberg.
23 Nothing in NRPC 1.0 transforms those statements into a written waiver or consent.

24 Notwithstanding Rosenberg's failure to meet his burden of proof under NRPC 1.9(a),
25 neither he nor Lisowski waived their ability to object.

26 **3. Prejudice to Creditors.**

1 If Rosenberg had demonstrated that MAC is privy to confidential information or
2 strategies of its former clients under NRPC 1.9(a), MAC's remaining argument is that
3 disqualification would unduly prejudice its current clients. See MAC Opposition at 40:21 to
4 41:3, citing, Brown v. Eighth Judicial District Court ex rel. Cnty. of Clark, 116 Nev. 1200, 1205,
5 14 P.3d 1266, 1269-70 (Nev. 2000); In re Jet 1 Center, Inc., 310 B.R. 649, 654 (Bankr.M.D.Fla.
6 2004); and Millen v. Eighth Judicial District Court ex rel. Cnty. of Clark, 122 Nev. 1245, 1256,
7 148 P.3d 694, 701-02 (Nev. 2006). Outside of the bankruptcy context, courts considering
8 disqualification of opposing attorneys are asked to balance certain "...competing interests: the
9 individual right to be represented by counsel of one's choice, each party's right to be free from
10 the risk of even inadvertent disclosure of confidential information, and the public's interest in the
11 scrupulous administration of justice." Brown v. Eighth Judicial District Court, 116 Nev. at 1205,
12 14 P.3d at 1270. Included in this balance are "the prejudices that will inure to the parties as a
13 result of [the court's] decision." Id.

14 None of the cases cited by MAC, however, involved counsel appointed as a bankruptcy
15 professional under Section 327 required to make the disclosures set forth in FRBP 2014(a).
16 Unlike other professionals whose loyalties are limited to their specific clients, attorneys
17 employed by a bankruptcy trustee have fiduciary responsibilities to all creditors of the bankruptcy
18 estate. See In re Taxman Clothing Co., 49 F.3d at 314. To determine whether a proposed
19 attorney has any conflicts that jeopardize counsel's ability to act as a fiduciary to all creditors,
20 FRBP 2014(a) requires counsel to disclose all present and past connections with the debtor,
21 creditors, and other parties in interest, as well as their respective attorneys and accountants. See
22 Park-Helena Corp., 63 F.3d at 882. All financial connections must be disclosed. See Maximus
23 Computers, Inc., 278 B.R. at 195-96. It is the bankruptcy court, not proposed counsel, that
24 determines whether counsel's connections disqualify the professional from the proposed
25
26

1 employment. See Sundance Self Storage-El Dorado LP, 482 B.R. at 630-31.⁵¹ Attorneys who fail
2 to make the disclosures required by FRBP 2014(a) are subject to disqualification, see Plaza Hotel
3 Corp., 111 B.R. at 891, and denial of compensation. See Park-Helena Corp., 63 F.3d at 882.

4 In a bankruptcy context, the parties who may be prejudiced by potentially faithless
5 conduct of a trustee's former counsel are far greater in number than typical litigation between a
6 discrete set of adversaries. In a bankruptcy context, a party's choice of counsel may be impacted
7 by the specific requirement that the same counsel fully disclose connections with other parties
8 and interests. In a bankruptcy context, the public interest in the scrupulous administration of
9 justice is safeguarded through the fiduciary responsibility committed to the trustee and chosen
10 counsel.

11 Balancing all of the foregoing considerations, the court is not persuaded that the prejudice
12 to MAC's current clients necessarily outweighs the severity of MAC's failure to comply with
13 FRBP 2014(a). If it was necessary to make this determination, the court would require MAC's
14 current clients to submit additional evidence of the impact of disqualification through separate
15 legal counsel. Because Rosenberg failed to demonstrate that MAC received confidential
16 information warranting disqualification under NRPC 1.9(a), however, such evidence will not be
17 required.

18 CONCLUSION

19 Based on the foregoing, the Disqualification Motion will be denied. A separate order has
20

21 ⁵¹ FRBP 2014(a) directs proposed counsel to submit a verified statement setting forth
22 counsel's connections with specified parties. It does not invite, much less require, counsel to
23 state whether counsel is a "disinterested person" within the meaning of Section 101(14) for
24 purposes of Section 327(a) or whether counsel represents or holds "any interest adverse" to the
25 debtor or the estate under Section 327(e). Those determinations are made by the court and not by
26 counsel. It is for this reason that the typical methods used by a law firm in checking for client
conflicts may be insufficient for attorneys who seek to be employed under Section 327.
Unfortunately, whatever method was used by MAC in this case was insufficient to meet the
requirements of FRBP 2014(a).

1 been entered concurrently herewith.

2
3 Notice and Copies sent through:

4 CM/ECF ELECTRONIC NOTICING AND/OR BNC MAILING MATRIX

5 and sent via FIRST CLASS MAIL BY THE COURT AND/OR BNC to:

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