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UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF WASHINGTON

In re

MICHAEL R. MASTRO,

Debtor.

JAMES F. RIGBY, JR., Trustee, solely in his capacity
as Chapter 7 trustee of the bankruptcy estate of
Michael R. Mastro,

Plaintiff,

v.

MICHAEL R. MASTRO; LINDA A. MASTRO;
MICHAEL K. MASTRO and JANE DOE MASTRO;
husband and wife and the marital community
composed thereof; LCY, LLC, a Delaware limited
liability corporation; MASTRO REVOCABLE
LIVING TRUST; MASTRO IRREVOCABLE
TRUST; LCY, LLC-SERIES HOMES; LCY, LLC-
SERIES JEWELRY; LCY, LLC-SERIES
AUTOMOBILES; THE LCY TRUST, a trust
purported to be formed in Belize; and COMPASS
TRUST CORPORATION, a trust of unknown origin
using an address in Belize City, Belize; COMPASS
S.A.; CONCEPT DORSSERS, a purported Monaco
company; and FOUNDATION MANAGEMENT

BANKRUPTCY NO. 09-16841 (Ch. 7)
ADVERSARY NO. _____

COMPLAINT SEEKING 1) AVOIDANCE
OF FRAUDULENT CONVEYANCES
AND FRAUDULENT TRANSFERS
UNDER RCW 19.40; 11 U.S.C. 544 AND
11 U.S.C. 548; 2) QUIET TITLE WITH
RESPECT TO MASTRO MEDINA
RESIDENCE; MASTRO JEWELRY AND
MASTRO ROLLS ROYCE 3)
INJUNCTIVE RELIEF; AND 4)
PRESERVATION OF AVOIDED
TRANSFERS FOR BENEFIT OF ESTATE

1 INC., a Washington corporation,

2 Defendants.

3
4 JAMES RIGBY ("Trustee"), solely in his capacity as Chapter 7 Trustee of the bankruptcy
5 estate of Michael R. Mastro ("Mastro"), by and through his attorneys, Bush Strout & Kornfeld, for the
6 benefit of creditors of the above-captioned bankruptcy estate, seeks to avoid the transfer of the
7 Debtor's interest in real property, jewelry and vehicles, made or caused to be made by the defendants
8 herein within two years prior to the bankruptcy, to quiet title in the estate as to assets fraudulently
9 conveyed, to enjoin certain parties from proceeding with foreclosure, and to obtain judgments against
10 parties who have conspired with the debtor in furtherance of fraudulent conveyances.

11 **I. INTRODUCTION**

12 Within the eighteen months prior to the bankruptcy, the real estate market (the most important
13 predictor of Mastro's business profitability) was experiencing a severe and unprecedented downturn.
14 During this time, Mastro and certain other Defendants herein, through a series of transfers designed to
15 place Mastro's most valuable assets out of the reach of his creditors, took the following actions:

16 A. Through a series of transactions transferred ownership of the Debtor's then-
17 unencumbered residence, for which the Debtor had paid \$15,000,000 in 2006, to a Delaware entity
18 purportedly controlled by an offshore Belizean trust in exchange for no consideration;

19 B. Purported, post-transfer, to encumber the Mastro residence with two deeds of trust
20 totaling \$15,000,000 in favor of entities to which no underlying debt is owed and that gave no
21 consideration in exchange for the deeds of trust.

1 C. Transferred ownership of substantial and valuable jewelry, including a 27.8 carat
2 diamond ring, to a Delaware entity purportedly controlled by an offshore Belizean trust in exchange
3 for no consideration.

4 D. Transferred ownership of a 2008 Rolls Royce, purchased for \$400,000 in 2008, to a
5 Delaware entity purportedly controlled by an offshore Belizean trust in exchange for no consideration.

6 These transfers were made to hinder, delay and defraud Mastro's creditors. The Trustee
7 alleges as follows:

8 II. JURISDICTION AND VENUE

9 2.1 This matter is a core proceeding under 28 U.S.C. §157(b)(2)(B), (C), (E), (H), (K)
10 and (O).

11 2.2 This Court has jurisdiction to hear this complaint pursuant to 28 U.S.C. §157(a) and
12 (b), 1334(a) and (b), and 11 U.S.C. §§105, 544, 548, 550 and 551.

13 2.3 This matter has been referred to the Bankruptcy Judges of the District pursuant to
14 General Rule 7 of the Rules for the United States District Court for the Western District of
15 Washington.

16 2.4 Venue is proper under 28 U.S.C. §1409.

17 III. PARTIES

18 3.1 Debtor. An involuntary Chapter 7 bankruptcy petition was filed against Michael R.
19 Mastro ("Mastro" or "Debtor") on July 10, 2009. On August 21, 2009, the Bankruptcy Court entered
20 an Order for Relief and Judgment Granting Petition for Involuntary Chapter 7 petition. On August 20,
21 2009, Mastro filed a First Amended Answer and Consent to Entry of Order for Relief under Chapter 7
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1 of the Bankruptcy Code and a Second Amended Answer and Consent to Entry of Order for Relief
2 under Chapter 7 of the Bankruptcy Code.

3 3.2 Trustee. James Rigby (“Rigby” or “Trustee”) was appointed Chapter 7 Trustee for
4 the Mastro estate on August 21, 2009. The Trustee is authorized to bring this action pursuant to 11
5 U.S.C. §§105, 544, 548, 550 and 551 and does so solely in his capacity as Trustee for the Mastro
6 estate.

7 3.3 Defendant Linda Mastro. Linda Mastro is the wife of Mastro and a resident of the state
8 of Washington.

9 3.4 Defendant Michael K. Mastro. Michael K. Mastro ("MKM") is the son of Mastro and,
10 upon information and belief, is a resident of the state of Washington.

11 3.5 Defendant Jane Doe Mastro. Jane Doe Mastro is the wife of Michael K. Mastro and
12 together they form a marital community. Upon information and belief, any acts done by Michael K.
13 Mastro were done for the benefit of the marital community. Upon information and belief, Jane Doe
14 Mastro is a resident of the State of Washington.

15 3.6 Defendant LCY, LLC is a Delaware Limited Liability Company established on
16 October 9, 2008.

17 3.7 Defendant LCY, LLC – Series Homes is a series purportedly organized pursuant to the
18 LCY, LLC Operating Agreement and Delaware law.

19 3.8 Defendant LCY, LLC - Series Jewelry is purportedly organized pursuant to the LCY,
20 LLC Operating Agreement and Delaware law.
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1 4.2 Mastro is approximately 84 years old and has been engaged in the real estate
2 profession in the Seattle area and surrounding communities for decades.

3 4.3 Mastro has been a prolific developer with respect to multi-family building lots, multi-
4 family structures, and single-family lots and houses.

5 4.4 By early 2008, well before the month of June, 2008, it was clear to Mastro and others
6 that single family residence development was in catastrophic financial shape on a nation-wide basis
7 and Mastro, as a very large investor in single-family real estate properties, was in deep and
8 inescapable financial trouble.

9 4.5 By June 2008, Mastro's holdings in single-family lots and development real estate
10 were virtually all encumbered and Mastro was forced to pay interest on loans secured by assets which
11 were not salable. Mastro was losing money and was having to go out of pocket to pay banks and
12 "Friends and Family" creditors.

13 4.6 Over the years, Mastro has acquired distressed commercial real estate, improved and
14 sold it.

15 4.7 Mastro was a frequent hard money lender who engaged in numerous lending
16 transactions. In that role, Mastro has become very experienced with the legal collection process and
17 has observed methods by which debtors attempt to conceal assets from their creditors.
18

19 4.8 Mastro has also been involved in the construction of commercial real estate.

20 4.9 Mastro's bankruptcy schedules filed with the Bankruptcy Court on September 9, 2009
21 ("Schedules") reflect total debt exceeding \$570,000,000.
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1 4.10 Many, if not substantially all, of the properties on Mastro's Schedules secure debt
2 exceeding the values attributed to them in the Schedules.

3 **Acquisition and Transfers of the Mastro Medina Residence**

4 4.11 In 2006, Mastro and Linda Mastro acquired a residence located at 3435 Evergreen
5 Point Way, Medina, Washington ("Mastro Medina Residence"). Ex. A. The excise tax affidavit filed
6 in conjunction with the transaction states that the sale price was \$15 million. Ex. B.

7 4.12 No deed of trust was recorded against the Mastro Medina Residence in conjunction
8 with the Mastros' purchase thereof.

9 4.13 Mastro and Linda Mastro held the unencumbered Mastro Medina Residence in the
10 name(s) of Michael R. Mastro and Linda Mastro until June 9, 2008.

11 4.14 On June 9, 2008, Mastro and Linda Mastro transferred the Mastro Medina Residence
12 into the Mastro Revocable Living Trust ("June 9, 2008 Transfer"). Ex. C. No consideration was
13 provided by the Mastro Revocable Living Trust in exchange for the transfer. Ex. D.

14 4.15 Seventy-four days later, on August 22, 2008, Mastro, as trustee of the Mastro
15 Revocable Living Trust, deeded the Mastro Medina Residence to himself and Michael K. Mastro, co-
16 trustees of the Mastro Irrevocable Trust (August 22, 2008 Transfer"). Ex. E. No consideration was
17 provided in exchange for this transfer. Ex. F.

18 4.16 A true copy of a document obtained by the Trustee purporting to be the August 21,
19 2008 Mastro Irrevocable Trust Agreement is attached hereto as Exhibit g.
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1 4.17 It is not clear that the document does, in fact or in law, create an irrevocable trust.
2 Mastro and Linda Mastro are grantors and beneficiaries under the Trust. Mastro and Michael K.
3 Mastro are co-trustees of the trust.

4 4.18 In addition to the Mastro Medina Residence, the August 22, 2009 Transfer to the
5 Mastro Irrevocable Trust included the Mastros' former residence in Clyde Hill ("Mastro Clyde Hill
6 Property") and another property in the Seattle Highlands ("Mastro Seattle Highlands Property").

7 4.19 On October 10, 2008, 44 days after the August 22, 2008 transfer of the Mastro Medina
8 Residence to the Mastro Irrevocable Trust, Defendants Mastro and Michael K. Mastro, co-trustees of
9 the Mastro Irrevocable Trust, transferred the Mastro Medina Residence to Defendant LCY, LLC-
10 Series Homes by execution of a quitclaim deed ("October 10, 2008 LCY Series Homes Transfer").
11 Ex. h. The October 10, 2008 LCY Series Homes Transfer was not recorded until 30 days later on
12 November 10, 2008. Id.

13 4.20 Article VI.E.1 of the Mastro Irrevocable Trust Agreement provides that no trust asset
14 shall be sold, exchanged or otherwise dealt with or disposed of for less than an adequate consideration
15 in money or money's worth. Ex. G.

16 4.21 LCY, LLC-Series Homes provided no consideration in exchange for the October 10,
17 2008 LCY Series Homes Transfer. Ex. I.

18 **Formation of the LCY Entities As Part of Mastro Plan to Protect His Assets**

19 4.22 The Seattle firm of Vigal & Simon, Inc. ("Vigal & Simon") caused the quitclaim deed
20 relating to the October 10, 2008 LCY Series Homes Transfer to be recorded. Ex. G.
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1 4.23 Sometime prior to the October 10, 2008 LCY Series Homes Transfer, Mastro's
2 bankruptcy counsel introduced Mastro to Mary Simon ("Simon"). Simon is a principal of Vigal &
3 Simon.

4 4.24 At the first meeting of creditors in the above-captioned bankruptcy ("341 Meeting"),
5 Defendant Mastro testified that he had met with Simon about a dozen times.

6 4.25 According to its website, Vigal & Simon provides, among other things, asset protection
7 planning services. The Vigal & Simon website further provides as follows:
8

9 The principals of Vigal & Simon are on the board of directors of Compass Trust
10 Corporation and Compass Group Corporate Services in Belize City, Belize. All your
11 interests in Belize, whether tourism, real estate or other investments, retirement or asset
12 protection, can be handled through our office.

13 Ex. J.

14 4.26 Simon holds herself out as a specialist in protecting assets.

15 4.27 Attached hereto as Exhibit K is an article entitled " STP Business Alert No. 3" which
16 appears on the Specialty Technical Publishers website (STPUB.com). In the article, Simon describes
17 the following way of protecting assets:

18 First, create a Delaware series LLC and then hold the membership in each series
19 through a Belize asset protection trust. This structure imports the most protective laws
20 for asset protection from the most effective jurisdictions. There is no waiting period
21 for the structure to become effective. In a tax neutral structure you are still deemed the
22 tax owner of the assets, so there is no concern for how this impacts the IRS.

23 4.28 Apparently in furtherance of the strategy Simon had described in the STP Business
Alert No. 3 article, Simon drafted certain documents for Mastro.

 4.29 From documents obtained by the Trustee, it appears that Defendant LCY, LLC, a
Delaware limited liability company, was formed on or about October 10, 2008. Ex. L.

1 4.30 According to the LCY, LLC Operating Agreement dated October 10, 2008 and,
2 according to documents provided to the Trustee, at the time of its formation, LCY, LLC's sole
3 member was LCY Trust, acting through Compass Trust Corporation, as trustee. Ex. L.

4 4.31 William Vigal, a principal of Vigal & Simon, executed LCY, LLC Operating
5 Agreement on behalf of Compass Trust Corporation, as trustee of the LCY Trust. Id.

6 4.32 According to the Declaration of Trust, the LCY Trust was created on October 10, 2008,
7 by Compass Trust Corporation, a corporation of unknown origin. Ex. M. Compass Trust Corporation
8 is referred to on the Vigal & Simon website and uses an address in Belize City, Territory of Belize.
9 Ex. N.

10 4.33 LCY, LLC – Series Homes, to which the Mastro Medina Residence was transferred
11 pursuant to the October 10, 2008 LCY Series Homes Transfer, was created on or about October 10,
12 2008, the same date that the LCY, LLC and the LCY Trust were created. Ex. N.

13 4.34 Defendant LCY, LLC – Series Jewelry was created on or about October 10, 2008, the
14 same date that the LCY, LLC and the LCY trust were created. Ex. O.

15 4.35 Defendant LCY, LLC – Series Automobiles was created on or about October 10, 2008,
16 the same date that the LCY, LLC and the LCY trust were created. Ex. P.

17 4.36 LLC – Series Homes, Series Jewelry and Series Automobiles were created pursuant to
18 the LCY, LLC Operating Agreement.

19 4.37 The sole member of each Series is also the LCY Trust and each Series is governed by
20 the provisions of the LCY, LLC Operating Agreement.

21 4.38 As the sole member, the LCY Trust has total control over LCY, LLC and the LCY,
22 LLCY – Series Homes and thus total control over the Mastro Medina Residence.

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1 4.39 Compass Trust Corporation ("LCY Trustee") is named as the trustee of the LCY Trust,
2 however, every power granted to the LCY Trustee is qualified by requiring the consent of the
3 "Protector" before the LCY Trustee can exercise such power.

4 4.40 The Protector under the LCY Trust is an entity with the name of Compass SA.

5 4.41 On October 10, 2009, Compass SA appointed Mastro to act as the Advisory Committee
6 for the Protector. Ex. Q.

7 4.42 In his capacity as Advisory Committee for the Protector under the LCY Trust, Mastro
8 has the right to veto any actions proposed to be taken by the Protector if it deems them "detrimental to
9 the best interests of the trust." Id.

10 4.43 The stated purpose of the LCY Trust is to assure that the trust assets are available for
11 the use of Mastro and Linda Mastro.

12 4.44 The asset of the LCY Trust is the 100% interest in LCY, LLC which, in turn, through
13 the Series, holds the Mastro Medina Residence, the Mastro Jewelry (defined below) and the Mastro
14 Rolls Royce (defined below).

15 4.45 Mastro and Linda Mastro were the managers of both the LCY, LLC and the LCY, LLC
16 - Series Homes at their inception.

17 4.46 On May 15, 1009, Compass Trust Corporation removed the Mastros as managers. This
18 action would have had to have the approval of Mastro, as advisor to the Protector of the LCY Trust.

19 **Transfer of Mastro Jewelry and Mastro Rolls Royce to LCY, LLC Series**

20 4.47 At or about the same time of the transfer of the October 10, 2008 LCY Series Homes
21 Transfer of the Mastro Medina Residence, Mastro and Linda Mastro, caused jewelry (the "Mastro
22 Jewelry"), including the following, to be transferred into the LCY, LLC- Series Jewelry ("Mastro
23 Jewelry Transfer"):

- 1 a. One platinum ring with 27.80 carat pear shape diamond;
- 2 b. One 14 karat white gold ring with 15.93 carat round diamond;
- 3 c. One 18 karat yellow gold diamond solitaire ring with one 14.17 carat round
4 diamond;
- 5 d. One 18 karat yellow gold ring with one 9.68 carat diamond;
- 6 e. One 18 karat yellow gold ring with two rows of seven diamonds, two rows of
7 five diamonds and two rows of three diamonds;
- 8 f. Two 2.5 carat earrings; and
- 9 g. One ring with one 10.25 carat diamond

10 Ex. R.

11 4.48 Mastro and Linda Mastro both executed an assignment purporting to transfer the Mastro
12 Jewelry to LCY LLC – Series Jewelry.

13 4.49 At or about the same time of the transfer of the October 10, 2008 LCY Series Homes
14 Transfer of the Mastro Medina Residence and the Mastro Jewelry Transfer, Defendant Linda Mastro,
15 who had been placed on title of the marital community's 2008 Rolls Royce automobile ("Mastro Rolls
16 Royce") purported to transfer the Mastro Rolls Royce to LCY, LLC – Series Automobiles on October
17 10, 2008 ("Mastro Rolls Royce Transfer"). Exs. S1 and S2.

18 4.50 By Letter of Acceptance dated October 10, 2008, Mastro, as manager of LCY, LLC –
19 Series Automobiles, accepted the gift of the Mastro Rolls Royce purportedly transferred. Ex. T.

20 4.51 At the 341 Meeting, Mastro testified that his estimate was that had purchased the
21 Mastro Rolls Royce for \$400,000. Records obtained by the Trustee indicate that the Mastro Rolls
22 Royce is a 2008 model. Ex. U.

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1 4.52 As its sole member, the LCY Trust has total control over LCY, LLC; LCY, LLC –
2 Series Jewelry; and LCY, LLC – Series Automobiles, and thus total control over the Mastro Jewelry
3 and the Mastro Rolls Royce.

4 4.53 Mastro and Linda Mastro were the managers of the LCY, LLC, the LCY, LLC - Series
5 Jewelry and the LCY, LLC Series Automobiles at their inception.

6 4.54 On May 15, Compass Trust Corporation purportedly removed the Mastros as managers
7 of the LCY, LLC and each series. These actions required the approval of Mastro, as advisor to the
8 Protector of the LCY Trust. Ex. V.

9 **Purported Grant of Deed of Trust to Concept Dorssers**

10 4.55 The Trustee further seeks to avoid transfers in the form of deeds of trust which
11 Defendants Mastro, Linda Mastro and/or Michael R. Mastro caused to be placed upon the Mastro
12 Residence on or about February 20, 2009 and May 18, 2009, respectively.

13 4.56 These deeds of trust are in favor of Defendant Dorssers ("Dorssers Deed of Trust") and
14 Defendant Foundation ("Foundation Deed of Trust").

15 4.57 After the Mastro Medina Residence had been transferred to LCY, LLC – Series
16 Homes, Mastro and Linda Mastro, in their capacity as managing members, purported to grant a deed
17 of trust on the Mastro Medina Residence to Dorssers ("Mastro-Dorssers Deed of Trust"). Ex. W.

18 4.58 The Mastro-Dorssers Deed of Trust states that its purpose is to secure "payment of
19 Twelve Million and No/100 Dollars (\$12,000,000.00) with interest thereon and all other amounts
20 payable according to the terms of a commercial promissory note of even date herewith made by
21 Grantor, payable to Beneficiary or order, and any and all extensions, renewals, modifications or
22 replacements thereof, whether the same be in greater or lesser amounts (the 'Note')." Ex. X.
23

1 4.59 No note has been provided to the Trustee in connection with the Mastro-Dorssers Deed
2 of Trust.

3 4.60 Dorssers was not and is not a creditor of LCY, LLC or LCY, LLC Series Homes.

4 4.61 Dorssers gave no consideration to LCY, LLC or LCY, LLC Series Homes in exchange
5 for the Mastro-Dorssers Deed of Trust.

6 4.62 At the 341 meeting, Mastro testified that the Mastro-Dorssers Deed of Trust was
7 granted to secure his obligations to his "friends and family" creditors.

8 4.63 A document provided to the Trustee by Mastro's counsel indicates that, the scheme
9 behind the Mastro-Dorssers Deed of Trust was an attempt to secure Mastro's purported, pre-existing
10 obligations to a select few of Mastro's business acquaintances as follows:
11

Asserted Creditor	Asserted Outstanding Loan
Concept Dorssers	\$ 1,305,580.39
Richard L. Bingham	\$ 142,647.42
Danielle Smith	\$ 75,156.74
Daniel Kirby	\$ 33,434.47
Scott Switzer	\$ 138,286.54
John J. Durst Living Trust	\$ 301,890.61
Durst Living Trust	\$ 1,340,574.31
Terry Durst	\$10,739,899.06

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17 Ex. X.

18 4.64 On September 8, 2009, subsequent to the entry of the Order for Relief in the above-
19 captioned bankruptcy, Dorssers caused its counsel to issue a Notice of Default ("Dorssers Default
20 Notice") in preparation for foreclosing on the Mastro-Dorssers Deed of Trust. Ex. Y.

21 4.65 The Dorssers Default Notice refers to a non-existent underlying loan.
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1 4.66 The Dorssers Default Notice is addressed to LCY, LLC-Series Homes and to
2 Defendant Linda Mastro but does not include Mastro.

3 4.67 The Trustee asserts that the Concept Dorssers Deed of Trust to hinder, delay and
4 defraud creditors of Mastro.

5 **Purported Grant of Deed of Trust in Favor of Foundation.**

6 4.68 On or about May 18, 2009, a Deed of Trust with respect to the Mastro Medina
7 Residence was recorded in favor of Foundation ("Mastro-Foundation Deed of Trust"). Ex. Z.
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9 4.69 The Mastro-Foundation Deed of Trust states that its purpose is to secure a \$3,000,000
10 loan to LCY, LLC – Series Homes.

11 4.70 Foundation Management Inc. is closely related to Ken Sato ("Sato").

12 4.71 On information and belief, Sato is a long-time business associate of Mastro.

13 4.72 Pursuant to Mastro's testimony at the first meeting of creditors, the obligation
14 underlying the Mastro-Foundation Deed of Trust is only \$100,000 in amount.
15

16 4.73 The granting of the Mastro-Foundation Deed of Trust violates the articles of LCY,
17 LLC-Series Homes.

18 4.74 The Mastro-Foundation Deed of Trust does not secure a valid and existing obligation.

19 4.75 The Trustee alleges that the Mastro-Foundation Deed of Trust was granted and
20 recorded with an intent to hinder, delay or defraud creditors.
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1 **VI. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548**
2 **JUNE 9, 2008 TRANSFER OF MASTRO MEDINA RESIDENCE**

3 6.1 Paragraphs I through IV and all subsections thereof are hereby repeated and
4 incorporated as though set forth herein.

5 6.2 Within two years of the filing of the bankruptcy petition herein, and while the Debtor
6 was insolvent, Mastro and Linda Mastro made or caused to be made the June 9, 2008 Transfer to the
7 Mastro Revocable Living Trust.

8 6.3 The June 9, 2008 Transfer was a transfer of an interest in property of the Debtor.

9 6.4 The Debtor did not receive reasonably equivalent value for the June 9, 2008.

10 6.5 The Debtor was insolvent on the date of the June 9, 2008 Transfer. Alternatively, the
11 Debtor became insolvent as a result of the June 9, 2008 Transfer.

12 6.6 Mastro and Linda Mastro made or caused the June 9, 2008 Transfer to be made with
13 actual intent to hinder, delay and defraud creditors to whom the Debtor was indebted on or after the
14 date of the transfers.

15 6.7 The June 9, 2008 Transfer is avoidable pursuant to 11 U.S.C. §548 as it was a) made
16 with actual intent to hinder, delay or defraud creditors to whom the Debtor was indebted on or after
17 the date of the transfer; or b) the Debtor received less than reasonable equivalent value in exchange
18 for the transfer and the Debtor (i) was insolvent at the time of the transfer or became insolvent as a
19 result of the transfer; (ii) was engaged in business or a transaction, or was about to engage in business
20 or a transaction, for which any property remaining with the Debtor was an unreasonably small capital;
21 (iii) intended to incur, or believed that he would incur, debts beyond the Debtor's ability to pay as such
22 debts matured; or (iv) made such transfer to or for the benefit of an insider.

1 **VII. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND RCW 19.40 –**
2 **AUGUST 22, 2008 TRANSFER OF MEDINA RESIDENCE**

3 7.1 Paragraphs I - V and all subsections thereof are hereby repeated and incorporated as
4 though fully set forth herein.

5 7.2 Mastro and Linda Mastro transferred or caused to be made the August 22, 2008
6 Transfer which is avoidable pursuant to RCW 19.40.010 et. seq.

7 7.3 The August 22, 2008 Transfer made or caused to be made by Mastro and Linda Mastro
8 to Mastro and Michael K. Mastro as co-trusees of the Mastro Irrevocable Trust was made with actual
9 intent to hinder, delay or defraud creditors of Mastro.

10 7.4 The August 22, 2008 Transfer made or caused to be made by Mastro and Linda Mastro
11 to Mastro and Michael K. Mastro as co-trustees of the Mastro Irrevocable Trust was made without the
12 Debtor receiving reasonably equivalent value in exchange for the transfers.

13 7.5 At the time of the August 22, 2008 Transfer made or caused to be made by Mastro and
14 Linda Mastro to Mastro and Michael K. Mastro as co-trustees of the Mastro Irrevocable Trust, the
15 Debtor was engaged in or was about to engage in business for which the remaining assets of the
16 Debtor were unreasonably small in relation to the business or transactions.

17 7.6 At the time of the August 22, 2008 Transfer made or caused to be made by Mastro and
18 Linda Mastro to Mastro and Michael K. Mastro as co-trustees of the Mastro Irrevocable Trust, the
19 Debtor intended to occur or reasonably should have believed that he would incur debts beyond his
20 ability to pay as they became due.

21 7.7 The August 22, 2008 Transfer made or caused to be made by Mastro and Linda Mastro
22 to Mastro and Michael K. Mastro as co-trustees of the Mastro Irrevocable Trust was not made in
23 exchange for reasonably equivalent value.

1 7.8 Mastro was insolvent on the date of the August 22, 2008 Transfer made or caused to be
2 made by Mastro and Linda Mastro to Mastro and Michael K. Mastro as co-trustees of the Mastro
3 Irrevocable Trust. Alternatively, the Debtor became insolvent as a result of the August 22, 2008
4 Transfer.

5 **VIII. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548**
6 **AUGUST 22, 2008 TRANSFER OF MASTRO MEDINA RESIDENCE**

7 8.1 Paragraphs I through VI and all subsections thereof are hereby repeated and
8 incorporated as though set forth herein.

9 8.2 Within two years of the filing of the bankruptcy petition herein, and while the Debtor
10 was insolvent, Mastro and Linda Mastro made or caused to be made the August 22, 2008 Transfer to
11 Mastro and Michael K. Mastro as co-trustees of the Mastro Irrevocable Trust.

12 8.3 The August 22, 2008 Transfer was a transfer of an interest in property of the Debtor.

13 8.4 The Debtor did not receive reasonably equivalent value for the August 22, 2008
14 Transfer.

15 8.5 The Debtor was insolvent on the date of the August 22, 2008 Transfer. Alternatively,
16 the Debtor became insolvent as a result of the August 22, 2008 Transfer.

17 8.6 Mastro and Linda Mastro made or caused the August 22, 2008 Transfer to be made
18 with actual intent to hinder, delay and defraud creditors to whom the Debtor was indebted on or after
19 the date of the transfers.

20 8.7 The August 22, 2008 Transfer is avoidable pursuant to 11 U.S.C. §548 as it was a)
21 made with actual intent to hinder, delay or defraud creditors to whom the Debtor was indebted on or
22 after the date of the transfer; or b) the Debtor received less than reasonable equivalent value in
23 exchange for the transfer and the Debtor (i) was insolvent at the time of the transfer or became
insolvent as a result of the transfer; (ii) was engaged in business or a transaction, or was about to

1 engage in business or a transaction, for which any property remaining with the Debtor was an
2 unreasonably small capital; (iii) intended to incur, or believed that he would incur, debts beyond the
3 Debtor's ability to pay as such debts matured; or (iv) made such transfer to or for the benefit of an
4 insider.

5 **IX. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND RCW 19.40 –**
6 **OCTOBER 10, 2008 LCY SERIES HOMES TRANSFER – MASTRO MEDINA RESIDENCE**

7 9.1 Paragraphs I - VII and all subsections thereof are hereby repeated and incorporated as
8 though fully set forth herein.

9 9.2 Defendants Mastro, Linda Mastro and/or Michael K. Mastro made or caused to be
10 made the October 10, 2008 LCY Series Homes Transfer which is avoidable pursuant to RCW
11 19.40.010 et. seq.

12 9.3 The October 10, 2008 LCY Series Homes Transfer made or caused to be made by
13 Mastro, Linda Mastro and/or Michael K. Mastro was made with actual intent to hinder, delay or
14 defraud creditors of Mastro.

15 9.4 The October 10, 2008 LCY Series Homes Transfer made or caused to be made by
16 Mastro, Linda Mastro and/or Michael K. Mastro was made without the Debtor receiving reasonably
17 equivalent value in exchange for the transfers.

18 9.5 At the time of the October 10, 2008 LCY Series Homes Transfer made or caused to be
19 made by Mastro, Linda Mastro and/or Michael K. Mastro, the Debtor was engaged in or was about to
20 engage in business for which the remaining assets of the Debtor were unreasonably small in relation to
21 the business or transactions.

1 9.6 At the time of the October 10, 2008 LCY Series Homes Transfer made or caused to be
2 made by Mastro, Linda Mastro and/or Michael K. Mastro, the Debtor intended to occur or reasonably
3 should have believed that he would incur debts beyond his ability to pay as they became due.

4 9.7 The October 10, 2008 LCY Series Homes Transfer made or caused to be made by
5 Mastro, Linda Mastro and/or Michael K. Mastro was not made in exchange for reasonably equivalent
6 value.

7 9.8 Mastro was insolvent on the date of the October 10, 2008 LCY Series Homes Transfer
8 made or caused to be made by Mastro, Linda Mastro and/or Michael K. Mastro. Alternatively, the
9 Debtor became insolvent as a result of the October 10, 2008 LCY Series Homes Transfer.

10 **X. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548 –**
11 **OCTOBER 10, 2008 LCY SERIES HOMES TRANSFER – MASTRO MEDINA RESIDENCE**

12 10.1 Paragraphs I through VIII and all subsections thereof are hereby repeated and
13 incorporated as though set forth herein.

14 10.2 Within two years of the filing of the bankruptcy petition herein, and while the Debtor
15 was insolvent, Mastro, Linda Mastro and/or Michael K. Mastro made or caused to be made the
16 October 10, 2008 LCY Series Homes Transfer.

17 10.3 The October 10, 2008 LCY Series Home Transfer was a transfer of an interest of the
18 Debtor in property.

19 10.4 The Debtor did not receive reasonably equivalent value in exchange for the October 10,
20 2008 LCY Series Homes Transfer.

21 10.5 The Debtor was insolvent on the date of the October 10, 2008 LCY Series Homes
22 Transfer. Alternatively, the Debtor became insolvent as a result of the October 10, 2008 LCY Series
23 Homes Transfer.

1 10.6 Mastro, Linda Mastro and/or Michael K. Mastro made or caused the October 10, 2008
2 LCY Series Homes Transfer to be made with actual intent to hinder, delay and defraud creditors to
3 whom the Debtor was indebted on or after the date of the transfers.

4 10.7 The October 10, 2008 LCY Series Homes Transfer is avoidable pursuant to 11 U.S.C.
5 §548 as it was a) made with actual intent to hinder, delay or defraud creditors to whom the Debtor was
6 indebted on or after the date of the transfers; or b) the Debtor received less than reasonable equivalent
7 value in exchange for the transfer and the Debtor (i) was insolvent at the time of the transfer or
8 became insolvent as a result of the transfer; (ii) was engaged in business or a transaction, or was about
9 to engage in business or a transaction, for which any property remaining with the Debtor was an
10 unreasonably small capital; (iii) intended to incur, or believed that he would incur, debts beyond the
11 Debtor's ability to pay as such debts matured; or (iv) made such transfer to or for the benefit of an
12 insider.

13 **XI. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND RCW 19.40**
14 **MASTRO JEWELRY TRANSFER**

15 11.1 Paragraphs I - IX and all subsections thereof are hereby repeated and incorporated as
16 though fully set forth herein.

17 11.2 Mastro and Linda Mastro transferred or caused to be made the Mastro Jewelry Transfer
18 which is avoidable pursuant to RCW 19.40.010 et. seq.

19 11.3 The Mastro Jewelry Transfer made or caused to be made by Mastro and Linda Mastro
20 to the LCY, LLC – Series Jewelry was made with actual intent to hinder, delay or defraud creditors of
21 Mastro.

1 11.4 The Mastro Jewelry Transfer made or caused to be made by Mastro and Linda Mastro
2 to LCY, LLC – Series Jewelry was made without the Debtor receiving reasonably equivalent value in
3 exchange for the transfer.

4 11.5 At the time of the Mastro Jewelry Transfer made or caused to be made by Mastro and
5 Linda Mastro to LCY, LLC – Series Jewelry, the Debtor was engaged in or was about to engage in
6 business for which the remaining assets of the Debtor were unreasonably small in relation to the
7 business or transactions.

8 11.6 At the time of the Mastro Jewelry Transfer made or caused to be made by Mastro and
9 Linda Mastro to LCY, LLC – Series Jewelry, the Debtor intended to occur or reasonably should have
10 believed that he would incur debts beyond his ability to pay as they became due.

11 11.7 The Mastro Jewelry Transfer made or caused to be made by Mastro and Linda Mastro
12 to LCY, LLC – Series Jewelry was not made in exchange for reasonably equivalent value.

13 11.8 Mastro was insolvent on the date of the Mastro Jewelry Transfer. Alternatively, the
14 Debtor became insolvent as a result of the Mastro Jewelry Transfer.

15 **XII. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548**
16 **MASTRO JEWELRY TRANSFER**

17 12.1 Paragraphs I through X and all subsections thereof are hereby repeated and
18 incorporated as though set forth herein.

19 12.2 Within two years of the filing of the bankruptcy petition herein, and while the Debtor
20 was insolvent, Mastro and Linda Mastro made or caused to be made the Mastro Jewelry Transfer.

21 12.3 The Mastro Jewelry Transfer was a transfer of an interest of the Debtor in property.

22 12.4 The Debtor did not receive reasonably equivalent value in exchange for the Mastro
23 Jewelry Transfer.

1 14.4 The Debtor did not receive reasonably equivalent value in exchange for the Mastro
2 Rolls Royce Transfer.

3 14.5 The Debtor was insolvent on the date of the Mastro Rolls Royce Transfer.
4 Alternatively, the Debtor became insolvent as a result of the Mastro Rolls Royce Transfer.

5 14.6 Mastro and Linda Mastro made or caused the Mastro Rolls Royce Transfer to be made
6 with actual intent to hinder, delay and defraud creditors to whom the Debtor was indebted on or after
7 the date of the transfers.

8 14.7 The Mastro Rolls Royce Transfer is avoidable pursuant to 11 U.S.C. §548 as it was a)
9 made with actual intent to hinder, delay or defraud creditors to whom the Debtor was indebted on or
10 after the date of the transfers; or b) the Debtor received less than reasonable equivalent value in
11 exchange for the transfer and the Debtor (i) was insolvent at the time of the transfer or became
12 insolvent as a result of the transfer; (ii) was engaged in business or a transaction, or was about to
13 engage in business or a transaction, for which any property remaining with the Debtor was an
14 unreasonably small capital; (iii) intended to incur, or believed that he would incur, debts beyond the
15 Debtor's ability to pay as such debts matured; or (iv) made such transfer to or for the benefit of an
16 insider.

17 **XV. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND RCW 19.40**
18 **MASTRO-DORSSERS DEED OF TRUST ON MEDINA RESIDENCE**

19 15.1 Paragraphs I - VIII and all subsections thereof are hereby repeated and incorporated as
20 though fully set forth herein.

21 15.2 Defendants LCY, LLC- Series Homes, Mastro and Linda Mastro made or caused to be
22 made the Mastro-Dorssers Deed of Trust Transfer which is avoidable pursuant to RCW 19.40.010 et.
23 seq.

1 15.3 The Mastro-Dorssers Deed of Trust Transfer made or caused to be made by LCY, LLC
2 – Series Homes, Mastro and Linda Mastro was made with actual intent to hinder, delay or defraud
3 creditors of Mastro.

4 15.4 The Mastro-Dorssers Deed of Trust Transfer made or caused to be made by LCY, LLC
5 – Series Homes, Mastro and Linda Mastro was made without the Debtor receiving reasonably
6 equivalent value in exchange for the transfers.

7 15.5 At the time of the Mastro-Dorssers Deed of Trust Transfer made or caused to be made
8 by LCY, LLC – Series Homes, Mastro and Linda Mastro, the Debtor was engaged in or was about to
9 engage in business for which the remaining assets of the Debtor were unreasonably small in relation to
10 the business or transactions.

11 15.6 At the time of the Mastro-Dorssers Deed of Trust Transfer made or caused to be made
12 by LCY, LLC – Series Homes, Mastro and Linda Mastro, the Debtor intended to occur or reasonably
13 should have believed that he would incur debts beyond his ability to pay as they became due.

14 15.7 The Mastro-Dorssers Deed of Trust Transfer made or caused to be made by LCY, LLC
15 – Series Homes, Mastro and Linda Mastro was not made in exchange for reasonably equivalent value.

16 15.8 Mastro was insolvent on the date of the Mastro-Dorssers Deed of Trust Transfer made
17 or caused to be made by LCY, LLC – Series Homes, Mastro and Linda Mastro. Alternatively, the
18 Debtor became insolvent as a result of the Mastro-Dorssers Deed of Trust Transfer.

19 **XVI. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548**
20 **MASTRO-DORSSERS DEED OF TRUST ON MASTRO MEDINA RESIDENCE**

21 16.1 Paragraphs I through XIV and all subsections thereof are hereby repeated and
22 incorporated as though set forth herein.
23

1 16.2 Within two years of the filing of the bankruptcy petition herein, and while the Debtor
2 was insolvent, LCY, LLC – Series Homes, Mastro and Linda Mastro made or caused to be made the
3 Mastro-Dorssers Deed of Trust Transfer.

4 16.3 The Mastro-Dorssers Deed of Trust Transfer was a transfer of an interest of the Debtor
5 in property.

6 16.4 The Debtor did not receive reasonably equivalent value for the Mastro-Dorssers Deed
7 of Trust Transfer.

8 16.5 The Debtor was insolvent on the date of the Mastro-Dorssers Deed of Trust Transfer.
9 Alternatively, the Debtor became insolvent as a result of the Mastro-Dorssers Deed of Trust Transfer.

10 16.6 LCY, LLC – Series Homes, Mastro and Linda Mastro made or caused the Mastro-
11 Dorssers Deed of Trust Transfer to be made with actual intent to hinder, delay and defraud creditors to
12 whom the Debtor was indebted on or after the date of the transfers.

13 16.7 The Mastro-Dorssers Deed of Trust Transfer is avoidable pursuant to 11 U.S.C. §548
14 as it was a) made with actual intent to hinder, delay or defraud creditors to whom the Debtor was
15 indebted on or after the date of the transfer; or b) the Debtor received less than reasonable equivalent
16 value in exchange for the transfer and the Debtor (i) was insolvent at the time of the transfer or
17 became insolvent as a result of the transfer; (ii) was engaged in business or a transaction, or was about
18 to engage in business or a transaction, for which any property remaining with the Debtor was an
19 unreasonably small capital; (iii) intended to incur, or believed that he would incur, debts beyond the
20 Debtor's ability to pay as such debts matured; or (iv) made such transfer to or for the benefit of an
21 insider.

1
2 **XVII. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 544 AND RCW 19.40**
3 **MASTRO-FOUNDATION DEED OF TRUST ON MASTRO MEDINA RESIDENCE**

4 17.1 Paragraphs I - XV and all subsections thereof are hereby repeated and incorporated as
5 though fully set forth herein.

6 17.2 Defendants LCY, LLC Series Homes and Mastro and Linda Mastro made or caused to
7 be made the Mastro-Foundation Deed of Trust Transfer which is avoidable pursuant to RCW
8 19.40.010 et. seq.

9 17.3 The Mastro-Foundation Deed of Trust Transfer made or caused to be made by LCY,
10 LLC Series Homes and Mastro and Linda Mastro was made with actual intent to hinder, delay or
11 defraud creditors of Mastro.

12 17.4 The Mastro-Foundation Deed of Trust Transfer made or caused to be made by LCY,
13 LLC Series Homes and Mastro and Linda Mastro was made without the Debtor receiving reasonably
14 equivalent value in exchange for the transfers.

15 17.5 At the time of the Mastro-Foundation Deed of Trust Transfer made or caused to be
16 made by LCY, LLC Series Homes and Mastro and Linda Mastro, the Debtor was engaged in or was
17 about to engage in business for which the remaining assets of the Debtor were unreasonably small in
18 relation to the business or transactions.

19 17.6 At the time of the Mastro-Foundation Deed of Trust Transfer made or caused to be
20 made by LCY, LLC Series Homes and Mastro and Linda Mastro, the Debtor intended to occur or
21 reasonably should have believed that he would incur debts beyond his ability to pay as they became
22 due.
23

1 17.7 The Mastro-Foundation Deed of Trust Transfer made or caused to be made by LCY,
2 LLC Series Homes and Mastro and Linda Mastro was not made in exchange for reasonably equivalent
3 value.

4 17.8 Mastro was insolvent on the date of the Mastro-Foundation Deed of Trust Transfer
5 made or caused to be made by LCY, LLC Series Homes and Mastro and Linda Mastro.
6 Alternatively, the Debtor became insolvent as a result of the Mastro-Foundation Deed of Trust
7 Transfer.

8
9 **XVIII. FRAUDULENT TRANSFER UNDER 11 U.S.C. § 548**
10 **MASTRO-FOUNDATION DEED OF TRUST – MASTRO MEDINA RESIDENCE**

11 18.1 Paragraphs I through XVI and all subsections thereof are hereby repeated and
12 incorporated as though set forth herein.

13 18.2 Within two years of the filing of the bankruptcy petition herein, and while the Debtor
14 was insolvent, LCY, LLC Series Homes and Mastro and Linda Mastro made or caused to be made the
15 Mastro-Foundation Deed of Trust Transfer.

16 18.3 The Mastro-Foundation Deed of Trust Transfer was a transfer of an interest of the
17 Debtor in property.

18 18.4 The Debtor did not receive reasonably equivalent value for the Mastro-Foundation
19 Deed of Trust Transfer.

20 18.5 The Debtor was insolvent on the date of the Mastro-Foundation Deed of Trust
21 Transfer. Alternatively, the Debtor became insolvent as a result of the Mastro-Foundation Deed of
22 Trust Transfer.

1 have no estate, right, title or interest in the Mastro Medina Residence and that each of the Defendants
2 be forever enjoined from asserting any estate, right, title or interest in the subject property adverse to
3 plaintiff herein.

4 **XX. INJUNCTIVE RELIEF**

5 20.1 Paragraphs I through XIII and all subsections thereof are hereby repeated and
6 incorporated as though set forth herein.

7 20.2 Mastro has transferred or caused to be transferred substantial amounts of property of
8 the estate into LCY, LLC – Series Home; LCY, LLC – Series Automobiles; and LCY, LLC – Series
9 Jewelry.

10 20.3 The LCY, LLCs are purportedly under control of a third party or third parties.

11 20.4 Any and all parties should be restrained from 1) exercising any possession, dominion
12 or control over or 2) attempting in any way to gain possession dominion or control of any of the assets
13 transferred or purportedly transferred to LCY, LLC – Series Home; LCY, LLC – Series Automobiles;
14 and LCY, LLC – Series Jewelry until such time a determination is made on the merits of this
15 complaint and the ownership of the property that is the subject of this Complaint.
16

17 **XXI. PRESERVATION OF AVOIDED TRANSFERS**

18 21.1 Paragraphs I through XVIII above and all subsections thereof are hereby repeated and
19 incorporated as though fully set forth herein.

20 21.2 Any and all transfers avoided under the claims for relief set forth in Paragraphs I-
21 XVIII, above, are preserved for the benefit of the estate pursuant to 11 U.S.C. §551.
22
23

1 **XXII. RESERVATION OF RIGHT TO ADD ADDITIONAL DEFENDANTS**

2 22.1 Paragraphs I through XX above and all subsections thereof are hereby repeated and
3 incorporated as though fully set forth herein.

4 22.2 If, in the conducting of discovery with respect to the fraudulent transfers asserted
5 herein, it becomes evident that other parties, in addition to the existing Defendants, conspired in these
6 fraudulent conveyances, the Trustee reserves the right to add those parties as defendants.

7 **XXIII. PRAYER FOR RELIEF**

8 WHEREFORE, the Trustee prays for the following relief:

9 23.1 That the Court determine the transfers of the debtors residence, legally described in
10 Exhibit A, by the Debtor to defendants the Mastro Revocable Living Trust, the Mastro Irrevocable
11 Trust, and LCY, LLC - Series Home constitute fraudulent transfers pursuant to 11 U.S.C. 548 and/or
12 RCW 19.40 et.seq.

13 23.2 That the Court determine the granting of the Mastro-Concept Dorssers Deed of Trust
14 constitutes an avoidable fraudulent transfer pursuant to 11 U.S.C. 548 and/or RCW 19.40 et.seq.

15 23.3 That the Court determine the granting of the Foundation Deed of Trust constitutes an
16 avoidable fraudulent transfer pursuant to 11 U.S.C. 548 and/or RCW 19.40 et.seq.

17 23.4 That the Court determine the Mastro Jewelry Transfer constitutes a fraudulent transfer
18 pursuant to 11 U.S.C. 548 and/or RCW 19.40 et.seq.

19 23.5 That the Court determine the Mastro Rolls Royce Transfer constitutes a fraudulent
20 transfer pursuant to 11 U.S.C. 548 and/or RCW 19.40 et.seq.

21 23.6 That the Court enter a judgment against Linda A. Mastro for damages as determined by
22 the Court for her cooperation and participation in fraudulently transferring the Mastro Medina
23

1 Residence, the Mastro Jewelry and the Mastro Rolls Royce and encumbering the Mastro Medina
2 Residence with the Mastro-Dorssers Deed of Trust and the Mastro-Foundation Deed of Trust.

3 23.7 That the Court enter a judgment against Michael K. Mastro for damages as determined
4 by the Court for his cooperation and participation in the fraudulent transfer of the Mastro Medina
5 Residence;

6 23.8 That the Court enter a judgment quieting title with respect to the Mastro Medina
7 Residence, the Mastro Jewelry and the Mastro Rolls Royce.

8 23.9 That the Court enjoin the all defendants from performing or exercising any acts to
9 interfere with the estate's ownership of the transferred assets, including but not limited to any acts to
10 transfer title to, seek to encumber, and/or seek to foreclose upon the purported secured obligations
11 against any of the transferred assets identified herein.

12 23.10 That the Court preserve all transfers avoided hereunder for the benefit of the estate
13 pursuant to 11 U.S.C. 551.

14 23.10 For such other just and equitable relief as the Court shall deem proper.

15 DATED this 29th day of September, 2009.

16 BUSH STROUT & KORNFIELD

17
18 By Gayle E. Bush
19 Gayle E. Bush, WSBA #07318
Christine M. Tobin, WSBA #27628
20 Attorneys for James Rigby, Chapter 7 Trustee
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