

1
2
3
4
5
6 UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

7
8 JAMES F. RIGBY, Chapter 7 Trustee of
Michael R. Mastro,

9 Plaintiff,

10 v.

11 MICHAEL J. CORLISS,

12 Defendant.

NO. C14-0340RSL

MEMORANDUM OF DECISION

13
14
15 This matter was heard by the Court in a bench trial commencing on July 9, 2018. Plaintiff
16 James T. Rigby, the Chapter 7 trustee of the bankruptcy estate of Michael R. Mastro, filed this
17 lawsuit to recover damages arising from the conversion of certain estate assets, to force
18 defendant Michael J. Corliss to surrender \$111,600, and to recover damages arising from
19 misstatements Corliss made to the trustee.
20

21 **FINDINGS OF FACT**

22 By a preponderance of the evidence, the Court finds as follows:

23 On August 21, 2009, the United States Bankruptcy Court for the Western District of
24 Washington granted an involuntary bankruptcy petition filed by some of Mastro's creditors.
25 Mastro had been a prominent real estate developer and financier in the Pacific Northwest, but
26 was unable to weather the financial crisis in the late 2000s.
27

28 MEMORANDUM OF DECISION - 1

1 During the winter of 2010 and spring of 2011, Mastro and his wife, Linda, lived in Palm
2 Desert, California. Their Medina mansion had been sold as part of the bankruptcy proceeding,
3 but the Mastros retained a Range Rover, a Bentley, Chihuly art, jewelry, and other assets. Corliss
4 and his wife, Lauri, were also staying in Palm Desert and met the Mastros at a New Years party.
5 Corliss and Mastro knew each other prior to this meeting. Corliss had purchased a roof truss
6 manufacturing business from Mastro in 1985. Corliss and Mastro occasionally saw each other
7 socially in the intervening years, and Corliss thought favorably of Mastro. Lauri Corliss had met
8 the Mastros a couple times before the New Years meeting, but it was not until this encounter that
9 she and Linda Mastro hit it off.
10

11 Lauri Corliss felt bad for the Mastros: they had suffered great financial loss through the
12 real estate downturn and had had their name and reputation dragged through the mud. She
13 appreciated that Corliss, who was also heavily invested in real estate, could have suffered the
14 same fate: the banks were pushing hard to collect payments on outstanding loans during the
15 height of the downturn, and Lauri Corliss understood how you could fall behind and get pushed
16 into bankruptcy. Linda Mastro, for her part, felt ostracized and destitute, turning to Lauri Corliss
17 for a sympathetic ear and, in some instances, for financial help.¹ Over the course of
18 approximately four months, the Mastros and the Corlisses had lunch and/or dinner together
19 approximately ten times, and Lauri Corliss and Linda Mastro became friends.
20
21

22 At some point, Corliss got the impression that Mastro was going to ask him for money. At
23 the time, Corliss had been lending to various business partners to help keep them afloat during
24

25
26 ¹ At one point the trustee seized skis, ski clothes, and Christmas ornaments from the Mastros in Palm
27 Desert to sell for the benefit of the creditors. Linda asked Lauri to buy the items at the bankruptcy sale and hold
28 them until they could buy them back. Lauri paid \$4,200 for the items.

1 the downturn, and he was inclined to be of help. The business Corliss had purchased from
2 Mastro twenty-five years earlier had done very well, and he knew that if Mastro were asking for
3 money, he must be in a really tough spot. When Corliss mentioned the possibility of helping
4 Mastro to his wife, Lauri Corliss encouraged him to do so. Mastro did ask for financial
5 assistance and, although Corliss was willing to make an unsecured loan of \$50,000 (and would
6 probably have gifted him the \$50,000 if asked), Mastro insisted on providing 68 ounces of gold
7 as collateral. The gold had a market value that exceeded the \$50,000 loan amount, but Corliss
8 viewed the arrangement as something akin to a line of credit where he would make additional
9 disbursements as the Mastros needed it. Corliss believed that Mastro wanted to get back into the
10 real estate business after his bankruptcy was resolved and would use this loan to reestablish his
11 credit.
12

13
14 Corliss made no effort to confirm that Mastro owned the gold he offered as collateral
15 before accepting it. At the time, the Mastros had been in bankruptcy for almost a year and a half
16 and were living openly in California with a number of valuable assets in their possession.
17 Neither Corliss nor his wife understood the details of the bankruptcy proceeding, but they knew
18 that the Mastros were in Palm Desert because the trustee had seized their Seattle-area residence
19 and had sold it and other assets for the benefit of Mastro's creditors. The Corlisses reasonably
20 assumed that Mastro owned the assets in his possession, such as the gold Mastro offered as
21 collateral, and that they were either not part of the bankruptcy estate or the trustee had chosen
22 not to seize them.
23

24 Kara King, Corliss' assistant, was tasked with drafting the paperwork for the loan and
25 disbursing checks. The form King utilized included Corliss' standard terms (6% interest, one
26 year maturity date, 18% default interest rate) and indicated that the promissory note was
27

1 unsecured. It is undisputed, however, that Mastro provided the gold as collateral for the loan.
2 King told Corliss that Mastro had requested that the loan be disbursed in multiple checks in
3 specific denominations and asked if that were okay. Corliss approved, and King made the first
4 disbursement on January 17, 2011.
5

6 Corliss and Lauri Corliss believed, and there is no evidence to the contrary, that the
7 Mastros were asset rich and cash poor and that they were using the money Corliss gave them to
8 pay living expenses such as rent, gas, and food. King disbursed additional checks to Mastro on
9 January 28, 2011. As of the end of February, she reported to Corliss that only the first round of
10 checks had been cashed: the others remained outstanding. Corliss asked King to find out whether
11 and where the checks had been deposited. Although Corliss does not remember why he cared, he
12 knew that Mastro had been ill and may have wanted to make sure they had been deposited or he
13 may have been curious about where Mastro was doing his banking.
14

15 In April 2011, Mastro told Corliss that he had closed a deal, and he made a \$111,600
16 payment on the loan balance.² Additional promissory notes were drawn up and additional checks
17 disbursed in May and June. Each disbursement totaled \$25,000, but was made up of three checks
18 for \$9,000, \$9,000, and \$7,000. Mastro occasionally provided handwritten loan updates that
19 included disbursements, payments, balances, and new requests.
20

21 The Mastros's lease in Palm Desert ended in June 2011, and their Seattle-area home had
22 been sold by the trustee. Corliss understood that the Mastros went to Vancouver, British
23 Columbia, and were thinking of traveling across Canada. In July 2011, King received a note
24 from Mastro asking that she use his sister's Seattle address to contact him until further notice:
25

26
27 ² The evidence shows that the \$111,600 was an inheritance from Mastro's sister. Regardless of the source
28 of the money, it was acquired by Mastro after the bankruptcy filing and was not an asset of the bankruptcy estate.

1 the note was written on stationary from a hotel in Winnipeg, Manitoba. Shortly thereafter,
2 Mastro wrote from Toronto, Ontario, to provide a loan update and request that Corliss wire the
3 balance of the loan account, \$94,500, which included the value Mastro assigned to the 68 ounces
4 of gold, to a branch of the Royal Bank of Canada. Mastro indicated that he would prefer that the
5 transaction be considered another loan for which he would send additional collateral. Corliss
6 authorized the transfer, and King gave instructions for its transmission on July 20, 2011.
7

8 On July 20 and 21, the Mastros took their three dogs to an animal hospital in Toronto to
9 get international health certificates. The hospital staff reported that the Mastros planned to fly by
10 private jet to Lisbon, Portugal. On July 22, 2011, King forwarded a business journal article to
11 Corliss indicating that the bankruptcy trustee had lost contact with Mastro, that Mastro was
12 under a court order to turn over two diamond rings, and that there was a hearing scheduled that
13 Friday. The Mastros failed to appear at the hearing, and bench warrants were issued for their
14 arrests. The United States Department of Justice filed a sealed criminal complaint against Mastro
15 for bankruptcy fraud on August 5, 2011. The evidence shows that Mastro had left Canada for
16 Portugal shortly after receiving the wire transfer from Corliss.
17

18 Throughout this period, Linda Mastro and Lauri Corliss remained in contact via phone
19 and/or email. At some point, Lauri Corliss became aware that the Mastros had left Canada for
20 Europe and that the Mastros had missed a court date and could not come home until their
21 attorneys had resolved the issues arising therefrom. Whenever the topic of homecoming came
22 up, Linda Mastro bounced between optimism and resignation regarding their chances of
23 favorably resolving the bankruptcy problems. By September 2011, both Corliss and his wife
24 knew that the U.S. Marshal's Service was looking for the Mastros and that the bankruptcy court
25 was looking for their assets.
26
27

1 In December 2011, the trustee retained “recovery counsel” to coordinate an international
2 investigation of Mastro’s whereabouts, activities, and assets. The trustee was looking for any and
3 all assets and searched in many of the places Mastro had visited and/or had held assets, including
4 the Isle of Man, Belize, Canada, Portugal, and ultimately France. At some point in the
5 investigation, the trustee learned that Corliss had written Mastro one or more checks.
6

7 In May 2012, the trustee issued a subpoena to Corliss for “[a]ll documents related to any
8 and all agreement(s) and any and all transaction(s), including any loan transaction(s), between
9 you, or any entity in which you have a management or ownership interest, and Michael R.
10 Mastro, covering the entire period of time from January 1, 2008 until the present, including all
11 promissory note(s), cancelled check(s), bank statement(s), wire transfer receipt(s) etc.”
12

13 Plaintiff’s Ex. 89. The trustee’s lawyer explained that Mastro had failed to list all of his assets
14 and business interests on the disclosures he filed with the bankruptcy court and the trustee was
15 therefore attempting to track down assets through third parties. The trustee agreed to accept a
16 sworn declaration from Corliss in lieu of conducting an in-person examination.
17

18 The declaration Corliss signed on August 20, 2012, stated that he had received no
19 payments on the loans made to Mastro and provided a summary of “MJC Payments to Michael
20 Mastro” that omitted the 68 ounces of gold, the \$111,600 payment, or the wire transfer that
21 zeroed out the account. These representations were incorrect or misleading, a fact acknowledged
22 by Corliss at trial. The Court finds that the misrepresentations were not, however, intentional or
23 fraudulent. Corliss’ office staff compiled and provided a list of the checks that were written to
24 Mastro and copies of the cancelled checks in response to the trustee’s subpoena. The trustee’s
25 counsel used that information to draft the original declaration and attached the transaction
26 summary, including the relevant misstatements. Corliss’ attorney edited the declaration on other
27

1 points, but the gold collateral, the loan payment, and the wire transfer were not disclosed. King,
2 Corliss' assistant, was on maternity leave at the time,³ and Corliss did not give the matter the
3 attention it deserved. The acknowledged misstatements were not caught or corrected.

4
5 Two weeks before Corliss signed the declaration, the trustee's investigator confirmed that
6 Mastro had opened an account at the Royal Bank of Canada, with the first deposit recorded on
7 July 22, 2011, from "TT Michael J. Company." On September 21, 2012, the trustee's trial
8 counsel confirmed that the initial deposit into the Royal Bank of Canada account had been
9 transmitted by Corliss. Counsel, acting in the combined role of investigator and prosecutor and
10 jumping from one known fact to a number of unsupported conclusions, stated:

11
12 Assuming this information is correct, this means that Corliss gave you a false
13 affidavit and is assisting Mastro post-bankruptcy with concealing himself and his
14 assets. As we have always thought, Corliss is intertwined with the fraud on the
15 bankruptcy estate and you may have an action against him and his assets. All the
16 more reason that this Canadian discovery action is important to the estate. I
17 suggest that this information be discussed with Gayle [Bush, the trustee's original
18 counsel] and the court so that our budget is not so limited.

19 Plaintiff's Ex. 63.⁴

20 The Mastros were arrested in France on October 24, 2012, and the trustee ultimately
21 obtained and sold the assets in their possession. Because Corliss had not disclosed the wire
22 transfer to Mastro in Canada in the August 2012 declaration, the trustee scheduled a Rule 2004
23 examination that was held on February 13, 2013, and continued on October 28, 2013. Shortly
24 before the second examination, Corliss came to the conclusion that it would be difficult for him

25 ³ Corliss testified that without King, he did not have all four wheels on the ground.

26 ⁴ This document was discussed at trial, but was not admitted into evidence in order to avoid the spectacle
27 of having trial counsel called to the stand to testify.

1 to prove that the 68 ounces of gold he held was not an asset of the bankruptcy estate and, rather
2 than fight that battle, turned it over to the trustee on October 17, 2013.

3 The trustee argues that Corliss effectively laundered the 68 ounces of gold and the
4 \$111,600 in inheritance money by converting them into post-bankruptcy loans. These loans, the
5 trustee argues, allowed the Mastros to flee to Europe and caused the trustee to incur over \$2.5
6 million in international investigative costs,⁵ deprived the trustee of his opportunity to garnish or
7 otherwise take possession of the inheritance money, and resulted in a loss in the gold's value
8 before it was sold in 2014.
9

10 CONCLUSIONS OF LAW

11 **Count I: Conversion**

12 The trustee argues that Corliss willfully interfered with and converted estate property
13 when he accepted 68 ounces of gold as collateral for the loans and concealed it from the trustee.
14 Conversion “occurs when, without lawful justification, one willfully interferes with, and thereby
15 deprives another of, the other’s right to a chattel.” Davenport v. Wash. Educ. Ass’n, 147 Wn.
16 App. 704, 722 (2008). Wrongful intent is not a necessary element of conversion if the
17 interference is unlawful, and good faith will be a defense only if there are conflicting claims to
18 the property and the holder makes reasonably prompt efforts to ascertain the rightful claimant’s
19 identity. Paris Am. Corp. v. McCausland, 52 Wn. App. 434, 443 (1988); Olin v. Goehler, 39
20 Wn. App. 688, 694 (1985). “Once a conversion is established, the general measure of damages,
21 absent willful misconduct, is the fair market value of the property at the time and place of the
22
23
24

25 ⁵ The trustee testified that he had incurred \$2,518,008 in fees between December of 2011 and the date on
26 which Corliss turned over the gold. In closing arguments, the trustee’s counsel claimed that the trustee had
27 incurred investigative costs of \$2,855,866 between January 2011 and the date on which Corliss turned over the
28 gold.

1 conversion.” Eggert v. Vincent, 44 Wn. App. 851, 855 (1986). The burden is on the trustee to
2 show both ownership of the gold and his right to possess it at the time of the alleged conversion.
3 Junkin v. Anderson, 21 Wn.2d 256, 258 (1944).

4 The trustee has not met his burden. There is no evidence that the gold Mastro delivered to
5 Corliss at the beginning of 2011 was part of the bankruptcy estate. The stipulated facts show
6 only that Mastro and his son had purchased over 500 ounces of gold pre-bankruptcy (an invoice
7 for 100 one-ounce gold bars is dated on or about March 23, 2009). There is no evidence linking
8 the gold held by Corliss to a transaction that occurred almost two years earlier. The trustee
9 acknowledged at trial that he did not have serial numbers for the gold Mastro purchased pre-
10 bankruptcy and was therefore unable to say that the gold Corliss turned over (which had serial
11 numbers on each box) was the same gold. Nor is there any evidence from which one could
12 reasonably calculate the diminution in the gold’s value from the time Corliss took possession to
13 the time he turned the gold over to the trustee. Mastro’s handwritten account summaries valued
14 the gold at \$100,232 in January 2011, \$103,768 in May 2011, \$104,720 in June 2011, and
15 \$109,072 in July 2011. Although the trustee was only able to raise \$88,464 when he sold the
16 gold sometime in 2014, there is no evidence regarding its value in October 2013 when he
17 regained possession of it or whether the 2014 sale was at fair market value.
18
19
20

21 **Count II: Aiding and Abetting Conversion**

22 To establish a claim of aiding and abetting under Washington law, the trustee must show
23 “(i) the existence of a violation by the primary wrongdoer; (ii) knowledge of this violation by the
24 aider and abettor; and (iii) that the aider and abettor substantially assisted in the primary wrong.”
25 In re: Consolidated Meridian Funds, 485 B.R. 604, 616 (W.D. Wash. 2013). The trustee claims
26 that Mastro converted assets belonging to the bankruptcy estate, that an inference of knowledge
27

1 on Corliss' part arises from the fact that he failed to confirm Mastro's ownership of the gold
2 and/or did not question why Mastro did not simply sell the gold himself if he needed to raise
3 cash, and that Corliss' acceptance of the gold as collateral substantially assisted Mastro's
4 conversion of the estate asset. The trustee also alleged, and obliquely argued at trial, that Corliss
5 aided and abetted Mastro's conversion of non-gold assets, such as diamond rings, a Range
6 Rover, seven suitcases worth of designer clothing, shoes, and purses, and 74 lots of jewelry,
7 watches, and art, on the theory that, once he knew he was dealing with a converter, Corliss
8 would reasonably foresee that Mastro would flee the country with any and all estate assets still in
9 his possession.
10

11
12 Even if the Court assumes for purposes of this claim that the trustee proved that Mastro
13 converted gold bars belonging to the bankruptcy estate, the trustee failed to prove by a
14 preponderance of the evidence that Corliss was aware that Mastro had converted or was
15 attempting to convert estate assets. There is no evidence that Corliss or his wife were aware that
16 Mastro had cheated on his bankruptcy schedules or was attempting to abscond with estate assets.
17 Although Corliss knew that Mastro was going through a bankruptcy and that he and his wife
18 appreciated the finer things in life, there is no evidence that Corliss suspected, much less knew,
19 that Mastro was gaming the system, hiding assets, and cheating his creditors. Corliss and his
20 wife testified credibly about their interactions with the Mastros and their motivations for helping
21 them. The Corliss' also testified credibly regarding their state of mind and relevant knowledge:
22 that they thought the money they were providing would help pay living expenses while the
23 Mastros worked through the bankruptcy proceeding, that they did not suspect that Mastro was
24 defrauding his creditors or the trustee until after Corliss made the \$94,500 wire transfer, that
25 they believed that the assets the Mastros had in their possession were theirs to keep, that they
26
27

1 were unaware of any limitations on the Mastros’s ability to travel, and that they did not know
2 that the Mastros intended to leave Canada until after they were already in Europe.

3 The trustee’s evidence of knowledge is based on omissions, namely that Corliss did not
4 confirm that Mastro owned the gold before accepting it as collateral and that Corliss failed to
5 disclose the gold and the loan payments in his August 2012 declaration. The Court understands
6 why the trustee pursued this matter: the basic facts do not look good for Corliss, and it was
7 entirely possible that his claims of innocence and lack of knowledge would be found incredible
8 at trial. The opposite happened, however. Corliss’ testimony was entirely credible, and facts that
9 appeared damning (like the failure to disclose material facts in the declaration) were explained to
10 the Court’s satisfaction. Having now heard the testimony of the witnesses and considered all of
11 the evidence in context, the Court finds that any assistance Corliss provided Mastro in his efforts
12 to convert estate assets was unknowing and unintentional. There is nothing in the Corliss’
13 personal or business backgrounds that would suggest that they would knowingly put their
14 reputations and fortune at risk to assist Mastro in an illegal or fraudulent endeavor.
15
16

17 With regards to the other estate assets that were found with the Mastros in France, the
18 trustee has not established that the checks or wire transfer Corliss sent Mastro substantially
19 assisted the Mastros’s conversion of those assets. When and how those assets found their way to
20 France is unknown, as is the source of funds used to accomplish those transfers.
21

22 **Count III: Conspiracy to Convert**

23 A civil conspiracy is established by showing “by clear, cogent and convincing evidence
24 that (1) two or more people contributed to accomplish an unlawful purpose, or combined to
25 accomplish a lawful purpose by unlawful means; and (2) the conspirators entered into an
26 agreement to accomplish the object of the conspiracy.” Wilson v. Wash., 84 Wn. App. 332, 350-
27

1 51 (1996). For the reasons discussed above, the trustee has not proven that Corliss knew of
2 Mastro’s underlying wrongdoing or agreed to convert estate assets.

3 **Count IV: Fraudulent Conveyance**

4 The trustee acknowledges that the \$111,600 that Mastro transferred to Corliss as a
5 payment on the loan was not, and never had been, an asset of the bankruptcy estate.
6 Nevertheless, he seeks to void the transfer under Washington’s Uniform Fraudulent Transfer
7 Act. Pursuant to the version of the statute that governs this case,⁶ a transfer by a debtor is
8 fraudulent as to a creditor, regardless of whether the creditor’s claim arose before or after the
9 transfer was made, if the debtor made the transfer with “actual intent to hinder, delay, or defraud
10 any creditor of the debtor.” RCW 19.40.041(a)(1) (effective to July 22, 2017). A fraudulent
11 transfer is not voidable, however, if the recipient “took in good faith and for a reasonably
12 equivalent value.” RCW 19.40.081(a) (effective to July 22, 2017). If a good faith recipient gave
13 value to the debtor in exchange for the transfer, he or she is entitled to a reduction in the amount
14 of any liability and/or a credit for the value given. RCW 19.40.081(d) (effective to July 22,
15 2017).
16
17
18

19 The circumstances of this transfer give rise to a reasonable inference that Mastro intended
20 to hinder, delay, or defraud his creditors by hiding the \$111,600 from the trustee while retaining
21 access to the funds through what was essentially an advance payment on a rotating line of credit.
22 For the reasons set forth above, however, the Court finds that Corliss received the money in
23 good faith as part of an on-going loan/credit transaction and without knowledge of Mastro’s
24 efforts to shield assets from his creditors. Whether Corliss took for a “reasonably equivalent
25

26 ⁶ The Uniform Fraudulent Transfer Act was replaced on July 22, 2017, by the Uniform Voidable
27 Transactions Act.

1 value” for purposes of RCW 19.40.081(a) is a closer question, but in the circumstances
2 presented here, it does not affect the outcome.

3 At the time the transfer occurred, Mastro’s handwritten summary of the account shows
4 that Corliss had disbursed \$50,000 to Mastro and that Mastro was requesting another \$25,000.⁷
5 When the \$111,600 payment was received, it more than offset the outstanding and contemplated
6 loan balance. The Court declines to determine whether a transfer that overcompensated Corliss
7 by \$36,600 (or 49%) would constitute “reasonably equivalent value” if the relationship had
8 ended at that point in time because that is not what happened. Over the course of the loan/credit
9 transaction, reasonably equivalent value was given in exchange for the transfer. Corliss
10 disbursed an additional \$50,000 shortly thereafter, which completely erased the \$36,600
11 overage. The \$13,900 debt Mastro owed Corliss by the end of June 2011- as well as the later
12 wire transfer of \$94,500 - was secured by the gold Corliss held until it was turned over to the
13 trustee in October 2013. Corliss, acting in good faith, gave Mastro value in exchange for the
14 transfer of the inheritance money and is entitled to a credit for the loans provided. Thus, the
15 transfer is either not voidable under RCW 19.40.081(a) or results in a net liability of zero under
16 RCW 19.40.081(d).
17
18
19

20 **Count V: Fraudulent Misrepresentation**

21 In closing arguments, the trustee argued that the fraudulent misrepresentation claim is
22 based on a fraud that began in January 2011 and was perpetuated by the false statements and
23 omissions in Corliss’ August 2012 declaration. In order to prove intentional misrepresentation or
24 fraud, the trustee must show by clear, cogent, and convincing evidence that (1) Corliss made a
25

26
27 ⁷ Corliss was holding \$100,232 in gold as collateral in case Mastro failed to repay the loans.

1 representation of an existing fact; (2) the representation was material; (3) the representation was
2 false; (4) Corliss knew the representation was false; (5) he intended that the trustee act on the
3 false representation; (6) the trustee was ignorant of the falsity of the representation; (7) the
4 trustee relied on the representation; (8) the trustee had a right to rely on the representation; and
5 (9) the trustee suffered damages due to his reliance on the false representation. Westby v.
6 Gorsuch, 112 Wn. App. 558, 570 (2002).

8 The trustee does not identify a factual misrepresentation at any point prior to August 20,
9 2012, that could form the basis of this claim. With regards to the admitted misrepresentations
10 contained in Corliss' declaration, they were not knowingly or intentionally made. The
11 information Corliss' staff compiled was mistakenly limited to checks issued to Mastro: it was
12 incomplete and misleading. Corliss, for his part, was careless. He knew payments had been made
13 on the loan and that he had authorized a wire transfer that zeroed out the account, but did not
14 catch and correct the contrary statement drafted by the trustee's lawyer or his staff's omissions.
15 Negligence, however, does not establish an intentional misrepresentation or fraud claim.

17 With regards to damages, the trustee has not established a causal connection between the
18 admitted failures to disclose and the almost \$3 million in damages claimed. With regards to the
19 68 ounces of gold, the trustee made no effort to show that, had he acquired the gold from Corliss
20 in the summer of 2012, he could have obtained a better price than was available on the market in
21 October 2013 when Corliss relinquished it or that he could have avoided specific activities he
22 subsequently undertook to locate and regain possession of the gold. Instead, the trustee seems to
23 be asserting that, had Corliss timely disclosed the gold, the trustee would have called off the hunt
24 for Mastro's assets and avoided all of the investigative costs incurred after August 20, 2012. The
25 evidence does not support such a claim. The trustee made clear that he was not simply searching
26
27


1 for the gold, he was conducting a due diligence search for any and all assets that could be
2 recovered for the benefit of the creditors. Had the trustee recovered the 68 ounces of gold on
3 August 20, 2012, the only reasonable inference is that the trustee would have continued his
4 search for the other 400+ ounces Mastro and his son had purchased pre-bankruptcy, along with
5 the Range Rover, art, jewelry, diamond rings, and bank accounts Mastro was suspected of
6 having secreted away. The trustee has not established a causal connection between Corliss'
7 failure to disclose the 68 ounces of gold in the summer of 2012 and the expansive, world-wide
8 hunt for assets that was already underway before Corliss' misrepresentations.
9

10 With regards to the failure to disclose the \$111,600 loan payment, the trustee argues only
11 that he would have been able to recover those funds for the benefit of the creditors had he known
12 about them. As discussed above, however, the funds were not part of the bankruptcy estate and
13 the transfer is not voidable (or, if voidable, would be offset by the credit for value given to which
14 Corliss is entitled) under Washington law.
15

16 With regards to the wire transfer of \$94,500, the trustee makes no effort to explain what
17 would have been different about his investigation had Corliss disclosed the details of that
18 transfer on August 20, 2012. By that point, the trustee had already found the Royal Bank of
19 Canada account to which the wire had been sent and had ascertained that there were no assets
20 remaining therein. The Mastros were already in Europe: no representation or misrepresentation
21 in the declaration altered that fact. Having eschewed any attempt to segregate activities and costs
22 related to tracking the source of the funds with which the Royal Bank of Canada account was
23 opened, the trustee cannot simply pursue recovery of all of his investigative costs from Corliss
24 regardless of their connection to this omission.
25
26
27

1 For all of the foregoing reasons, the Court finds in favor of defendant on all claims
2 asserted in this case. The Clerk of Court is directed to enter judgment in favor of defendant and
3 against plaintiff.
4

5
6 Dated this 27th day of July, 2018.

7 
8 _____
9 Robert S. Lasnik
10 United States District Judge
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27