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Thursday, January 13, 2000

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UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA  
In re

LYNN YOUNG,

No. 97-11644

[Debtor](#) <sup>i</sup>(s).

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### **Memorandum of Decision**

Debtor Lynn Young is an attorney. Prior to her [Chapter 7](#) <sup>i</sup>filing, she represented Michael and Debbie Danelen in state court proceedings and a [Chapter 11](#) <sup>i</sup> case in this court. This court removed her from the Chapter 11 case due to unethical conduct, and reported the matter to the State Bar of California. The Danelens filed a [claim](#) <sup>i</sup> for \$500,000 in this case, based on legal malpractice and breach of fiduciary duty. The claim was based on Young's conduct in the Chapter 11 case, as well as two state court matters. The [trustee](#) <sup>i</sup> objected to the claim, and reached a compromise whereby the claim would be allowed in the amount of \$150,000. After notice to all parties, debtor Young filed the only objection to the compromise. In support of her objection, Young submitted a declaration and documents which she believes refute the malpractice allegations. In so doing, she has misunderstood the nature of the court's inquiry in considering a compromise. The court's task in considering a compromise is not to determine who would win if the dispute were litigated, but rather

whether the compromise is fair and reasonable. In re Woodson, 839 F.2d 610, 620 (9<sup>th</sup> Cir. 1988). Factors to be considered include the probability of success, the difficulties in collection, and the expense of litigation. The interests of the creditors are paramount. In re A & C Properties, 784 F.2d 1377, 1381 (9<sup>th</sup> Cir. 1986). The trustee expects to have between \$42,000 and \$65,000 available for distribution to creditors in this case. He estimates that initial discovery alone would cost \$20,000, which the court believes is a very conservative number. If the trustee were to engage in such discovery, a very large portion of the estate would be spent on litigation with no guarantee of success. The settlement is a very reasonable alternative to this expense. None of the creditors objected to it, with good reason. Young has no standing to force the estate to incur legal fees to defend her reputation.

Moreover, the court is very familiar with Young's conduct in relation to the Chapter 11 case. The court found that she had procured her employment order by fraud and had wrongfully taken \$12,200.00 in estate funds. She claims that a conflict in her schedule kept her from defending herself, but she never sought reconsideration or appealed the orders entered against her. These facts alone would place her in a very bad light before any finder of fact, and make complete exoneration far less likely. The compromise is a safer course of action for the estate than trying to defend the Danelen claim. The court finds the compromise eminently fair and reasonable. It avoids significant expenditure of estate assets, and the risk of having the claim allowed in a much higher amount. The creditors, whose interests are paramount, do not oppose the compromise. Young's objection will accordingly be overruled. Counsel for the trustee shall submit an appropriate form of order.

Dated: January 13, 2000

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Alan Jaroslovsky

United States [Bankruptcy Judge](#) 

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