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### Mastro associate forced into bankruptcy

A longtime friend of fugitive real-estate magnate Michael R. Mastro was ordered into bankruptcy Friday, a step that might eventually mean more money for Mastro's many creditors.

By Eric Pryne

Seattle Times business reporter

A longtime friend and business associate of fugitive real-estate magnate Michael R. Mastro was ordered into bankruptcy Friday, a step that might eventually mean more money for Mastro's many creditors.

Courts already have decreed that Thomas Hazelrigg III owes Mastro's creditors more than \$76 million, but so far he has paid nothing.

U.S. Bankruptcy Judge Timothy Dore's decision Friday to force Hazelrigg into a Chapter 7 bankruptcy will allow a third party to determine once and for all whether Hazelrigg has any assets that can be liquidated and distributed, said James Rigby, the court-appointed trustee representing Mastro's creditors.

"This is an important step," he said.

Rigby said he's not sure whether Hazelrigg has anything, "but we can't just walk away without taking a long, hard look."

Hazelrigg's lawyer, Marc Stern, said his client is broke and living in a friend's RV in New Mexico.

"It's much ado about nothing," he said of the bankruptcy. "They're not going to find anything. They're not going to collect anything."

Hazelrigg, 65, a longtime Seattle "hard money" lender who made loans that banks wouldn't, borrowed tens of millions himself from Mastro to finance real-estate ventures that collapsed when the economy tanked.

Hazelrigg couldn't pay Mastro back — one of many problems that pushed Mastro, now 86, into bankruptcy involuntarily in 2009.

Mastro and his wife disappeared last summer after failing to comply with court orders that they turn over jewelry valued at \$1.4 million. Warrants have been issued for their arrest, but they remain at large.

Rigby and two other Hazelrigg creditors filed the involuntary bankruptcy petition against Hazelrigg last fall. Under the law, a trustee like Rigby will be appointed to find Hazelrigg's assets on creditors' behalf.

Bankruptcy law also now requires Hazelrigg to file statements detailing his finances and to attend a meeting at which creditors can ask him questions. Tens of millions have been transferred in and out of accounts associated with Hazelrigg over the last few years, Rigby said, but it's unclear whether anything remains.

Stern said in court that Hazelrigg, like Mastro, is under criminal investigation, and intends to invoke his Fifth Amendment protection against self-incrimination in court proceedings.

Even if Rigby succeeds in collecting all \$76 million Hazelrigg owes, that still won't make Mastro's creditors whole. Their approved and pending unsecured claims total more than \$270 million, and so far they are in line to get just \$2.8 million of that back.

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