

**IN THE BANKRUPTCY COURT OF THE UNITED STATES  
FOR THE WESTERN DISTRICT OF WASHINGTON**

IN RE:

TIMOTHY DONALD EYMAN,

Debtor.

CASE NO. 18-14536-MLB

STATE OF WASHINGTON,

Plaintiff,

ADVERSARY NO.

vs.

TIMOTHY DONALD EYMAN,  
GOODSTEIN LAW GROUP PLLC,  
AND VORTMAN & FEINSTEIN

Defendants.

COMPLAINT TO DETERMINE STATUS  
OF EYMAN HOME AS PROPERTY OF  
THE ESTATE AND THE VALIDITY,  
PRIORITY AND EXTENT OF LIENS  
ATTACHED THERETO

Plaintiff, the State of Washington, for the purpose of having this court determine the status of the real property commonly known as 11913 59th Ave W, Mukilteo, WA 98275 (the “Eyman Home”) as property of the bankruptcy estate and the validity, priority and extent of liens attached thereto, hereby states and alleges as follows:

**I. PARTIES**

1. The plaintiff is the State of Washington, a creditor in this Chapter 11 bankruptcy proceeding.

2. Defendant, Timothy Donald Eyman, is the debtor in this Chapter 11 bankruptcy (“Eyman” or the “Debtor”). The Debtor has been individually assessed civil penalties, attorney fees, and court costs under *State of Washington v. Tim Eyman, et al.* (“*State v. Eyman*”), Thurston County Superior Court case no. 17-2-01546-34. The Debtor is currently, and at all

1 relevant times has been, a resident of the state of Washington. Defendants Goodstein Law  
2 Group PLLC (“Goodstein Law”) and Vortman and Feinstein (“Vortman and Feinstein”) are the  
3 Debtor’s counsel and have placed liens on the Eyman Home. Goodstein Law and Vortman and  
4 Feinstein are collectively referred to as “Debtor’s Counsel.” Debtor’s Counsel and the Debtor  
5 are collectively referred to as “Defendants.”

## 6 II. JURISDICTION

7 3. This court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C.  
8 § 1334(b) because the issues arise under Title 11 of the United States Code.

9 4. This case arises under Federal Rule of Bankruptcy Procedure 7001(2) and  
10 7001(9).

11 5. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (K).

12 6. The plaintiff consents to entry of final orders or judgment by the bankruptcy court.

## 13 III. COMPLAINT TO DETERMINE STATUS OF EYMAN HOME AS PROPERTY OF 14 THE ESTATE AND VALIDITY, PRIORITY AND EXTENT OF LIENS

15 7. The State of Washington (the “State”) is a creditor of the Debtor based on the  
16 Debtor’s conduct relating to his campaign financing activities. Orders and judgments were  
17 entered in *State of Washington v. Tougher to Raise Taxes, et al.*, Thurston County Superior  
18 Court case no. 16-2-03891-34 and *State v. Eyman*. See State of Washington’s Claim #2-1 in  
19 this bankruptcy. The State filed both cases prior to this bankruptcy and to date, Debtor Eyman  
20 has paid the orders and judgments accrued in these cases except for the final judgment in *State*  
21 *v. Eyman*, which was determined and entered on April 16, 2021, (the “State Court Judgment”).  
22 Under the State Court Judgment, the Debtor currently owes the State \$5,413,169.83 on this  
23 judgment plus accruing interest.

24 8. On April 8, 2020, the Chapter 11 Bankruptcy plan in this case was confirmed  
25 (the “Plan”). The Plan stated, “[O]n confirmation, the Eyman home listed in the bankruptcy  
26 schedules will be considered property of the estate with the conditions stated in Section

1 6.08...”. Section 6.08 states, “Throughout the course of this Chapter 11 bankruptcy, the  
2 pendency of the Chapter 11 plan while the case is open and/or if there is a conversion to  
3 Chapter 7, Debtor may not sell or in any way encumber or transfer his home without  
4 permission of the court and notifying the creditors of such an action. The Debtor or the State of  
5 Washington shall file with the Snohomish County Recorder the attached “*Notice of LisPendens*  
6 *[RCW 4.28.325]; Bankruptcy Case; and Restriction on Transfer*” for the home, within 5  
7 business days of the confirmation of this Plan.”

8 9. The *Notice of Lis Pendens* was signed and recorded by Larry Feinstein, the  
9 Debtor’s bankruptcy attorney, on April 9, 2020 under Snohomish County Auditor’s Recording  
10 Number 202004090645(the “Lis Pendens”). The Lis Pendens includes this provision  
11 requiring notice be provided concerning any encumbrance on the Eyman Home:

12 The Bankruptcy Case affects the title to real property in the State of Washington.  
13 Specifically, the Fourth Amended Chapter 11 Plan of Reorganization approved in  
14 April 2020 (the “4<sup>th</sup> Amended Chapter 11 Plan”), provides that the following real  
15 property **may not be sold or in any way encumbered** without Bankruptcy Court  
16 approval and notice of 30 days to all creditors, which include:

17 (1) The State of Washington: Robert W. Ferguson, Attorney General or current  
18 Attorney General of the State of Washington and the Bankruptcy and Collections  
19 Unit, Attorney General’s Office, 800 5<sup>th</sup> Avenue Ste. 2000 Seattle WA 98104.

20 10. Despite the Lis Pendens, Debtor’s Counsel collectively recorded three  
21 encumbrances on the Eyman Home in violation of the Lis Pendens. The first is an *Order*  
22 *Awarding Second & Final Compensation* to Richard Sanders and Goodstein Law, recorded on  
23 January 13, 2021 under Snohomish County Auditor’s Recording Number 202101130003. The  
24 second is an *Order Awarding Third & Final Compensation* to Richard Sanders and Goodstein  
25 Law, recorded on January 20, 2021 under Snohomish County Auditor’s Recording Number  
26 202101201040. The third is the *Order on Application for Compensation* in favor of Vortman  
and Feinstein, recorded on January 25, 2021 under Snohomish County Auditor’s Recording  
Number 202101251064.

1 11. When Debtor’s counsel requested these orders for attorneys’ fees and costs, they  
2 stated the attorneys’ fees and costs would be directly paid by Debtor Eyman or from currently  
3 available estate funds.<sup>1</sup>

4 12. On March 1, 2019, the State filed a claim in the Eyman bankruptcy to which there  
5 was no objection, and the claim included language anticipating entry of the State Court  
6 Judgment.

7 13. Debtor acknowledged that the Eyman home was property of the estate in Debtor’s  
8 motion and order to reopen the bankruptcy, which requested “the court to reopen these  
9 proceedings for purposes of entering an Order allowing the sale of the Debtor’s and estate’s  
10 interest in marital home”. On October 2, 2020, the bankruptcy court order reopening the  
11 bankruptcy stated Debtor requested to “reopen the above entitled Chapter 11 bankruptcy  
12 proceedings to administer an asset of the estate as provided in the Debtor’s confirmed *4th*  
13 *Amended Plan of Reorganization*”. Therefore, Debtor concedes the Eyman Home was not  
14 abandoned property under 11 U. S. C. § 554 (c) and is an asset of the estate.

15 14. Based upon the above facts, the liens recorded by Debtor’s Counsel for attorneys’  
16 fees and costs encumbering the Eyman Home should be voided and the State should be allowed to  
17 record and perfect the State Court Judgment in Snohomish County to protect the State’s  
18 interest in an asset of the estate and to establish the State’s priority to this asset of the estate.

19  
20 **IV. FIRST CAUSE OF ACTION: 11 USC § 362(d)(1) - INADEQUATE**  
21 **PROTECTION**

22 15. Plaintiff restates the averments set forth in sections 7 through 14 above.

23  
24 <sup>1</sup>Docket #287, “Application for Second and Final Compensation with Declaration of Richard Sanders...” on pg. 5  
25 states, “an award of interim attorney’s fees and costs of \$45,445.29 shall be paid from the estate funds, which are  
26 amply sufficient...”; Docket #311, “Third Application for Compensation with Declaration of Richard Sanders...”  
on pg. 5 states, “interim attorney’s fees and costs of \$218,757.14 shall be paid directly by the debtor...”; and Docket  
#291, Vortman & Feinstein’s Order on Application for Compensation states fees “...shall be paid from the funds  
on hand in Counsel’s Trust account; and the balance of \$13,654.00 to be paid by the Debtor.”



- 1 2. That the residence located at 11913 59th Ave W, Mukilteo, WA 98275 is, and shall  
2 remain, property of the bankruptcy estate until such time as the Debtor fully satisfies  
3 all prepetition claims provided for in the Plan or the Court approves a disbursement  
4 after an approved sale; and
- 5 3. That the State of Washington be allowed to record and perfect its judgment lien in  
6 Snohomish County with respect to the judgment entered in Thurston County Superior  
7 Court, Case no. 17-2-01546-34; 4. That, except for the lien of the State of Washington  
8 and any statutory or property tax liens, any future liens that are placed upon the Eyman  
9 home prior to termination of the Chapter 11 plan will be void unless notice has been  
10 provided according to the terms of the plan and Bankruptcy Court approval of recording  
11 has been granted.

12 DATED this 28th day of June, 2021.

13 ROBERT W. FERGUSON  
14 Attorney General

15  
16 /s/ Susan Edison  
17 SUSAN EDISON, WSBA No. 18293  
18 *Assistant Attorney General*  
19 DINA YUNKER FRANK, WSBA No. 16889  
20 *Assistant Attorney General*  
21 ERIC S. NEWMAN, WSBA No. 31521  
22 *Chief Litigation Counsel, Antitrust Division*  
23 Attorneys for the State of Washington  
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