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Wife of bankrupt developer settles lawsuit with trustee

By Gregg Zoroya
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The well-publicized search for hidden assets in the financial downfall of developer Bill Walters, and related collapse of Silverado Savings & Loan, has led to an agreement whereby Walters' wife will pay more than \$1 million into her husband's debt-ridden and bankrupt estate.

A Santa Ana trustee must ultimately divide that money between a host of creditors, including the Federal Deposit Insurance Corporation, which seized Silverado in 1988 after Walters' defaulted on a \$106 million loan and the thrift failed.

The settlement, reached during negotiations in federal bankruptcy court last week, ends a lawsuit that alleged that Walters had tried to hide assets from creditors by fraudulently conveying them to his

wife, Jacqueline, or to trusts set up on her behalf.

The lawsuit was filed Nov. 27 against Jacqueline Walters by lawyers representing the court-appointed trustee of her husband's estate. Bill Walters, who now lives with his wife in Newport Beach, filed a Chapter 7 bankruptcy in Santa Ana on Nov. 2 claiming debts of more than \$250 million.

That lawsuit originally claimed that Bill Walters illegally conveyed about \$6 million to his wife shortly after their marriage. A similar lawsuit, filed earlier this year against Walters by the FDIC, put the amount of that conveyance at \$20 million. The FDIC lawsuit is still pending.

Bill and Jacqueline Walters said the money transfers were part of a pre-nuptial agreement and denied that there were any illegalities. Moreover, according to papers filed in US Bankruptcy Court, most

of the money in the trust funds set up in 1986 has since been dissipated.

Orange attorney Ronald Rus said this was one reason why his client, R. Neil Rodgers, the trustee of Bill Walters' estate, agreed to the settlement with Jacqueline Walters.

Rus said they were concerned that the balance of the fund might be eaten by Jacqueline Walters' mounting legal expenses.

"There gets to be a point of diminishing returns," Rus said.

He said the settlement agreement will be presented to US Bankruptcy Judge John Wilson within the next month for approval. Earlier this month, Wilson froze Jacqueline Walters' assets pending resolution of the trustee's lawsuit against her.

Jacqueline Walters and her lawyer, Kenneth Chiate, could not be reached for comment.