



**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SAN FERNANDO VALLEY DIVISION**

In re:

ANUSH ARAKELYAN,

Debtor.

DAVID GOTTLIEB,

Plaintiff,

vs.

ANUSH ARAKELYAN,

Defendant.

Case No.: 1:24-bk-11300-VK

Chapter 7

Adv. No.: 1:25-ap-01065-VK

**MEMORANDUM OF DECISION DENYING
DEBTOR'S MOTION TO SET ASIDE
DEFAULT JUDGMENT**

Hearing:

Date: February 19, 2026

Time: 2:00 p.m.

Place: Courtroom 301
21041 Burbank Blvd.
Woodland Hills, CA 91367

1 On October 6, 2025, David. K. Gottlieb, in his capacity as the chapter 7 trustee in the
2 above-captioned bankruptcy case, filed a complaint against the debtor Anush Arakelyan
3 ("Debtor") seeking to deny her chapter 7 bankruptcy discharge pursuant to 11 U.S.C. §
4 727(a)(2)(B) and (a)(4)(A) (the "Complaint").
5

6 On November 10, 2025, Mr. Gottlieb filed a "Request for Entry of Default" ("Default
7 Request") [doc. 5]. On November 12, 2025, the court clerk entered default against Debtor [doc.
8 8].
9

10 On January 28, 2026, Debtor filed a motion to set aside the default (the "Motion") [doc.
11 20]. For the reasons discussed below, the Court will deny the Motion.

12 I. BACKGROUND

13 A. Debtor's Bankruptcy Schedules and Statement of Financial Affairs

14 On August 7, 2024, Debtor filed a chapter 11 petition, initiating bankruptcy case no. 24-
15 bk-11300 (the "Bankruptcy Case"). In her petition, Debtor stated that she lives at 5235 ½ Ben
16 Avenue, Valley Village, CA 91607 and that her mailing address is 12400 Ventura Blvd. #749,
17 Studio City, CA 91604.¹ When Debtor filed her petition until January 14, 2025, Debtor was
18 represented by bankruptcy counsel, Thomas B. Ure.²
19

20 In Debtor's schedule A/B, filed in August 2024, and in her amended schedule A/B, filed
21 in September 2024, Debtor represented that she holds a fee simple interest in the following
22 properties: (1) a single-family residence located at 8008 Wilkinson Avenue, North Hollywood,
23 CA 91605, for which Debtor provided a value of \$1 million ("Wilkinson Avenue Property"); and
24
25

26 _____
27 ¹ 12400 Ventura Boulevard, Studio City, CA 91604 is the address of a mailbox center. Debtor never has filed a
notice for a change in her mailing address with the Court.

28 ² On January 14, 2025, the Court entered an order granting Mr. Ure's motion to withdraw as counsel to Debtor [doc.
91 in Bankruptcy Case].

1 (2) a four-unit apartment building located at 5233-5235 Ben Avenue, Valley Village, CA 91607,
2 for which Debtor provided a value of \$1,830,000 ("Ben Avenue Property") [docs. 1 and 30 in
3 Bankruptcy Case]. In her schedule A/B and amended schedule A/B, Debtor further represented
4 that she is the only person who holds a fee simple interest in each of these properties.³
5

6 In Debtor's schedule I and the attachment to that schedule, Debtor states that she receives
7 \$4,500.00 in rental income from the Wilkinson Avenue Property and "all utilities and
8 maintenance [are] paid by tenant." [doc. 1 in Bankruptcy Case]. As to the Ben Avenue Property,
9 Debtor states that she receives \$5,500.00 in rental income, in the aggregate, from 3 units. *Id.*
10 With her original schedules, Debtor filed a "Declaration About an Individual Debtor's
11 Schedules," which Debtor signed. In that declaration, Debtor states that she has read the
12 summary and schedules filed with the declaration and that they are true and correct [doc. 1 in
13 Bankruptcy Case].
14

15 In her statement of financial affairs, filed on August 7, 2024, Debtor states that she is
16 married and has lived in the same place for the last 3 years [doc. 1 in Bankruptcy Case]. In her
17 amended statement of financial affairs, filed on September 19, 2024, Debtor sets forth the rental
18 income which Debtor has received from the Wilkinson Avenue Property from January 1, 2022
19 until the date she filed for bankruptcy [doc. 36 in Bankruptcy Case].
20
21

22 **B. Debtor's Additional Representations Made under Oath in August and 23 September 2024**

24 **1. Debtor's Chapter 11 Case Status Report**

25 On August 27, 2024, the Court entered an Order setting a chapter 11 case status
26 conference [doc. 20 in Bankruptcy Case]. On September 17, 2024, Debtor filed a Status Report
27

28

³ In her schedule C, Debtor claimed a homestead exemption for the Ben Avenue Property in the amount of \$699,421.00 [doc. 1 in Bankruptcy Case].

1 and Debtor's declaration in support of the Status Report (the "DIP Declaration") [doc. 29 in
2 Bankruptcy Case]. The Status Report states:

3 Debtor Anush Arakelyan is married. Debtor and her spouse are both retired. Debtor
4 and her husband's primary source of income is from rental income and Debtor's
5 social security income. Debtor's spouse plans to also apply for social security.

6 **Debtor is the owner of two pieces of real property.**

7 The first property is a 4 unit residential building located at 5233 Ben Avenue,
8 Valley Village, CA 91607. **Debtor and her spouse live in one unit** and the other
9 three units are rented for a combined monthly total rental income of \$5,500.00.
10 Debtor believes the value of the Property is approximately \$1,830,000.00. Debtor
has a 1st Trust Deed with an approximate balance of \$925,700.00.

11 The second property is a Single Family Residence located at 8008 Wilkinson Ave.,
12 North Hollywood, CA 91605. The property is occupied by Debtor's brother and he
13 pays \$4,500.00 per month in rent and he also pays for all the utilities and
14 maintenance for the property. Debtor believes the value of the property is
\$1,000,000.00. Debtor has a 1st Trust Deed with an approximate balance of
\$56,000.00 and a 2nd Trust Deed with an approximate balance of \$240,000.00.

15 Status Report, p. 1 (emphases added) [doc. 29 in Bankruptcy Case].

16 In the DIP Declaration, Debtor states the following:

17 I, Anush Araklyan [sic], declare:

18 I know the following facts to be true from my own personal knowledge, except
19 those facts which are stated on information and belief and as to those facts I believe
20 them to be true. I could and would competently testify under oath to the truthfulness
21 of the following facts:

22 1. I am the Debtor in this pending case. As such, I have personal knowledge of the
23 facts stated herein, and if call upon to testify thereto, I could and would do so
competently and truthfully.

24 [. . .]

25 3. I have read the foregoing Status Report and the same is true and correct to the
26 best of my knowledge.

27 [. . .]
28

1 5. Attached hereto, marked Exhibit B, is a projection of my income and expenses
2 for the first six months of my case.

3 I declare under penalty of perjury under the laws of the United States of America
4 that the foregoing is true and complete to the best of my knowledge. Executed in
Los Angeles, on this 17th day of September, 2024.

5 DIP Declaration [doc. 29].

6 **2. Debtor's Cash Collateral Motion**

7
8 On September 19, 2024, Debtor filed a motion to use cash collateral and her declaration
9 in support of that motion [doc. 34 in Bankruptcy Case]. Debtor signed that declaration. *Id.* In that
10 motion, Debtor requests Court authority to use rents generated from the Wilkinson Avenue
11 Property to pay her expenses during the Bankruptcy Case. Debtor estimates that the value of the
12 Wilkinson Avenue Property is \$936,300 and that the property generates \$4,500 in income each
13 month. *Id.*

14
15 In her declaration filed in support of the cash collateral motion, Debtor states:

16 I, Anush Arakelyan, declare:

- 17 1. I am the Debtor in this bankruptcy case.
18 2. The facts asserted in this declaration are of my own personal knowledge.

19 **3. I am the owner of the Collateral.**

20 [. . .]

21
22 5. The value of the Collateral, the amounts of the claims secured by the respective
23 liens thereon, and the equity in the Collateral, in Exhibits A are true and correct.
24 The value of the property is estimated based on my personal knowledge of the
25 property, its current condition, comparable sales in the area as well as the amount
of income the properties are currently generating.

26 6. [. . .] The income and expenses listed in the proposed budgets are true and correct.

27 [. . .]
28

1 I declare under penalty of perjury under the laws of the United States that the
2 foregoing is true and correct.

3 Exhibit A to Debtor's declaration includes Debtor's equity calculations for the Wilkinson
4 Avenue Property [doc. 34 in Bankruptcy Case].

5 **C. The Conversion of the Bankruptcy Case to One Under Chapter 7**

6 On December 5, 2024, after holding two hearings on an order to show cause why the
7 Bankruptcy Case should not be dismissed or converted, the Court entered an order converting the
8 Bankruptcy Case to a case under chapter 7 [doc. 77 in Bankruptcy Case]. Mr. Gottlieb was
9 appointed as chapter 7 trustee (the "Trustee").
10

11 Regarding its decision to convert the Bankruptcy Case to one under chapter 7, the Court
12 explained:

13
14 It appears that Debtor is intent on concealing her income and monthly expenses,
15 including the postpetition payment of her secured debt, from the Court and creditors
16 of the estate. Such conduct constitutes cause to convert or dismiss this case,
17 including gross mismanagement of the estate and failure to satisfy timely the
18 reporting requirements for [monthly operating reports].

19 Given that there appears to be approximately \$572,000 in unexempt equity in the
20 Wilkinson [Avenue] Property, conversion is in the best interest of creditors and the
21 estate.

22 Doc. 75 in Bankruptcy Case.

23 On January 13, 2025, the Trustee held a meeting of creditors. Declaration of David K.
24 Gottlieb ("Gottlieb Decl."), ¶ 7 [doc. 99 in Bankruptcy Case]. During that meeting of creditors,
25 the Trustee requested that Debtor produce (1) the rent rolls, purchase contract, most current loan
26 statement, last tax return filed, copy of the deed, statement of insurance, and insurance
27 documentation listing Trustee as an additional insured or loss payee for the Ben Avenue
28 Property; and (2) the purchase contract, most current loan statement, copy of the loan agreement,
copy of the deed, and statement of insurance, and insurance documentation listing Trustee as an

1 additional insured or loss payee for the Wilkinson Avenue Property (collectively, the "Requested
2 Documents"). *Id.* The Trustee then continued the meeting of creditors to February 13, 2025, at
3 10:30 a.m. to allow Debtor additional time to produce the Requested Documents. *Id.*

4
5 On February 13, 2025, the Trustee held a continued meeting of creditors. During the
6 continued meeting of creditors, the Trustee again requested that Debtor produce the Requested
7 Documents, which Debtor did not produce prior to the continued meeting of creditors. Gottlieb
8 Decl., ¶ 8. The Trustee then continued the meeting of creditors to March 19, 2025, at 10:30 a.m.
9 to allow Debtor additional time to produce the Requested Documents. *Id.*

10
11 On March 19, 2025, the Trustee again held a continued meeting of creditors. During the
12 continued meeting of creditors, the Trustee requested that Debtor produce the Requested
13 Documents, which Debtor still had not produced. Gottlieb Decl., ¶ 9.

14
15 During the continued 341(a) meeting of creditors held on March 19, 2025, Debtor
16 testified that she is separated from her husband and that he currently resides in the Wilkinson
17 Avenue Property and has resided there since no later than 2017. Gottlieb Decl., ¶ 10. These
18 assertions contradict what Debtor stated in the Status Report, which is supported by Debtor's
19 testimony, under penalty of perjury, in the DIP Declaration.

20
21 In June 2025 and August 2025, the Trustee and Debtor entered into stipulations to extend
22 the deadline for the Trustee to file a complaint against Debtor under 11 U.S.C. § 727. Debtor
23 signed these stipulations [docs. 121 and 137 in Bankruptcy Case].

24
25 On October 6, 2025, the Trustee filed the Complaint. Attached as exhibits to the
26 Complaint are a Homestead Declaration, signed by Mr. Arakelyan, filed with the Los Angeles
27 County Recorder's Office on May 6, 2025, and a QuitClaim Deed, signed by Debtor, filed with
28 the Los Angeles County Recorder's Office on July 24, 2025.

1 On October 13, 2025, the Trustee had the Complaint served on Debtor by U.S. mail, first
2 class, postage prepaid with an issued "Summons and Notice of Status Conference in Adversary
3 Proceeding [LBR 7004-1]" (the "Summons").
4

5 The first paragraph of the Summons, on the first page, states:

6 TO THE DEFENDANT(S): A Complaint has been filed by the Plaintiff against
7 you. If you wish to defend against the Complaint, you must file with the court a
8 written pleading in response to the Complaint. You also must serve a copy of your
9 written response on the party shown in the upper left-hand corner of this page. The
10 deadline to file and serve a written response is 11/06/2025. If you do not timely file
11 and serve the response, the court may enter a judgment by default against you for
12 the relief demanded in the Complaint.

13 Summons [doc. 4] (emphasis in original).

14 On October 13, 2025, the Trustee filed a proof of service stating that the Complaint, the
15 Summons and related documents were served on Debtor at her mailing address of record: 12400
16 Ventura Blvd, #749, Studio City, CA 91604 ("Studio City Address") [doc. 4]. Pursuant to
17 Federal Rule of Bankruptcy Procedure ("Rule") 7004(b)(9), the Complaint and Summons were
18 properly served on Debtor.

19 **D. The Trustee's Section 727 Claims Against Debtor**

20 The Complaint asserts that Debtor is not entitled to a discharge pursuant to 11 U.S.C. §
21 727(a)(2)(B) and (4)(A). The Complaint discusses Debtor's testimony at the March 19, 2025
22 meeting of creditors and what took place following the meeting of creditors.

23 As to the events following the March 19, 2025 meeting of creditors, the Complaint makes
24 the following allegations:

25 In April 2025, after Debtor testified at the March 19, 2025 meeting of creditors that
26 her spouse, Walter Arakelyan, aka Vartan Arakelyan, had not lived with her in a
27 unit at the Ben Property since 2017, and instead resided in the Wilkinson Avenue
28 Property, Mr. Arakelyan sent an email to the Trustee's counsel with his contact
information. Subsequently, the Trustee's counsel and Mr. Arakelyan met several
times at the office of the Trustee's counsel to discuss a settlement agreement that

1 would obviate the Trustee's need to seek turnover of and sell the Wilkinson Avenue
2 Property. The Trustee's counsel also had multiple telephone calls with Mr.
3 Arakelyan about this.

4 On or around May 6, 2025, Mr. Arakelyan recorded a homestead declaration
5 regarding the Wilkinson Avenue Property with the Los Angeles County Recorder's
6 Office.

7 On or around July 22, 2025, Debtor executed a Quitclaim Deed to quitclaim "to
8 Walter Arakelyan, a married man, as his sole and separate property" the Wilkinson
9 Avenue Property (the "Deed"). The Deed was recorded with the Los Angeles
10 County Recorder's Office on July 24, 2025.

11 On September 10, 2025, the Trustee held a continued meeting of creditors via
12 Zoom, during which Debtor appeared and testified that: (1) she recognized the Deed
13 (which was presented to her on the Zoom screen); (2) she signed the Deed; (3) she
14 had her signature on the Deed notarized; and (4) she reviewed the Deed before she
15 signed it.

16 The first cause of action in the Complaint asserts that Debtor is not entitled to a chapter 7
17 discharge under § 727(a)(2)(b) because she transferred the Wilkinson Avenue Property to her
18 spouse, Mr. Arakelyan, after the petition date, with the intent to hinder or delay the Trustee.⁴

19 The second cause of action in the Complaint asserts that Debtor is not entitled to a
20 chapter 7 discharge under § 727(a)(4)(A) because she knowingly and fraudulently, in connection
21 with the Bankruptcy Case, made a false oath or account. In the Complaint, the Trustee alleges
22 that Debtor made a false oath regarding Mr. Arakelyan's place of residence "to manufacture a
23 homestead exemption by Mr. Arakelyan in the Wilkinson Avenue Property, to the detriment of
24 the Trustee and the estate." As alleged by the Trustee, Debtor's testimony regarding the
25 Wilkinson Avenue Property also is designed to conceal rental income from the Wilkinson

26 ⁴ The Complaint notes the following badges of fraud: (1) a close relationship between the transferor and the
27 transferee, i.e., Debtor and her husband; (2) the transfer was in anticipation of an action for partition, turnover and
28 sale of the Wilkinson Avenue Property, which the Trustee's counsel had previewed to Mr. Arakelyan during their
discussions; (3) Debtor was insolvent or in poor financial condition at the time of the transfer; (4) given the claimed
exemption and secured debt against the Ben Avenue Property, Debtor's equity in the Wilkinson Avenue Property is
effectively the only valuable asset of the estate; and (5) the transfer of the Wilkinson Avenue Property completely
depleted the available assets for distribution to unsecured creditors by the Trustee. *See In re Retz*, 606 F.3d 1189,
1200 (9th Cir. 2010) (discussing badges of fraud which may support finding of fraudulent intent).

1 Avenue Property, which rental income Debtor previously disclosed in her schedule I, her
2 amended statement of financial affairs, the DIP Declaration and Debtor's motion to use cash
3 collateral.

4
5 **E. Trustee's Request for Entry of Default**

6 Debtor's deadline to file and serve a response to the Complaint was November 6, 2025
7 [doc. 4]. On November 10, 2025, the Trustee filed the Default Request. On November 12, 2025,
8 the court clerk entered default against Debtor. On November 14, 2025, the Bankruptcy Noticing
9 Center mailed the "Notice that Clerk Had Entered Default" to Debtor at the Studio City Address
10 [doc. 9].
11

12 **F. Debtor's Motion to Set Aside Default**

13 On January 28, 2026, Debtor filed the Motion. Debtor contends that she responded
14 promptly after she became aware of the Complaint, i.e., by requesting a 30-day extension of time
15 to file a response to the Complaint on November 11, 2025, and that Debtor has a meritorious
16 defense to the Trustee's claims.
17

18 **1. Debtor's Oath Made at the March 19, 2025 Meeting of Creditors**
19 **About Where Her Husband Resides**

20 In contrast to Debtor's prior statement in the Status Report (supported under penalty of
21 perjury by the DIP Declaration) that Debtor and her husband live in a unit in the Ben Avenue
22 Property, in Debtor's declaration filed in support of the Motion ("Debtor's 2026 Declaration"),
23 Debtor represents that she and her husband "have separate residences." Debtor's 2026
24 Declaration, ¶ 4 [doc. 20]. In Debtor's 2026 Declaration, Debtor states: "I live in the property on
25 Ben Avenue and Walter lives in the property on Wilkinson. I live alone and Walter lives with my
26
27
28

1 brother and his wife in the Wilkinson property." *Id.* Debtor further represents that she and her
2 husband separated "in or about the end of 2006." *Id.*⁵

3
4 **2. Debtor's Postpetition Transfer of the Wilkinson Avenue Property to
Her Husband**

5 In Debtor's 2026 Declaration, Debtor admits that she executed and delivered a quitclaim
6 deed transferring the Wilkinson Avenue Property to Mr. Arakelyan (the "Deed") postpetition.

7 Debtor's 2026 Declaration, ¶¶ 10-11; *see also* Exhibit 2 to the Complaint [doc. 1]. Debtor also
8 states:
9

10 During the course of my bankruptcy, the Trustee met with Walter to discuss
11 resolution of the Trustee's claims against Walter. I was never part of any
12 communication between the Trustee and Walter. From what Walter told me, the
13 Trustee wanted approximately \$36,000 to settle those claims and that he and the
Trustee's attorneys discussed how Walter would be able to secure the funds to pay
the Trustee. . . .

14 Debtor's 2026 Declaration, ¶ 9.

15 Debtor represents that she understood that her husband had reached an agreement with
16 the Trustee about refinancing the Wilkinson Avenue Property, that her husband told Debtor that
17 he would meet further with the Trustee's attorneys before undertaking the refinancing and that is
18 why Debtor signed the Deed. *Id.*, ¶¶ 9-10. As stated by Debtor, "[t]he postpetition quitclaim was
19 not only an effort to secure funds to pay the Trustee . . . , but to remove my name from the
20 property so funding could be obtained to pay the Trustee and to place title in Walter's
21 Americanized name as he had attempted to do so for many years." *Id.*, ¶ 11.
22
23
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27

28 ⁵ Assuming that Debtor is truthfully testifying that she and her husband legally separated in 2006, Debtor has not testified that any such separation lasted continuously after 2006 and resulted in Mr. Arakelyan having a separate residence from Debtor in the Wilkinson Avenue Property.

1 Debtor further alleges that although she executed the Deed in July 2025, previously she
2 had transferred her interest in the Wilkinson Avenue Property to Mr. Arakelyan "in or about"
3 2007; that deed was not recorded. *Id.*, ¶ 6.
4

5 Debtor's contention that she had previously transferred her interest in the Wilkinson
6 Avenue Property to her husband is contrary to the representations which Debtor made in her
7 schedule A and in her amended schedule A, both filed in 2024, that Debtor is the sole owner of a
8 fee simple interest in the Wilkinson Avenue Property [docs. 1 and 30 in Bankruptcy Case].
9 Moreover, in pleadings Debtor filed while Debtor was a debtor in possession, and represented by
10 bankruptcy counsel, Debtor consistently represented that the Wilkinson Avenue Property and the
11 rents which it generates are property of the estate.
12

13 **3. Debtor's Explanation for Not Filing a Response to the Complaint**

14 Regarding the Motion, Debtor has represented that, in or about June 2024, after two
15 battles with Covid, she became very ill, and she rarely goes out of the house. Debtor's 2026
16 Declaration, ¶¶ 4 and 12. Debtor states: "I was unaware that the Trustee had served me with the
17 Complaint until my daughter went to the post office box to pick up an item she ordered that was
18 to be delivered there." Debtor's 2026 Declaration, ¶ 12. Debtor does not state the date on which
19 she became aware of the Trustee's filing and service of the Complaint.
20

21 In his declaration filed in support of the Motion, Walter Arakelyan represents that his
22 daughter called him "on or about" November 5, 2025 and advised him that Debtor had been sued
23 by the Trustee. Declaration of Walter Arakelyan, ¶ 3 (the "Walter Decl.") [doc. 20]. Mr.
24 Arakelyan represents that he was out of state at that time. Mr. Arakelyan states that, on
25 November 6, 2025, he went to the self-help desk at the Court's location in Woodland Hills, met
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27
28

1 with an attorney there and showed the attorney the Complaint. *Id.* Mr. Arakelyan further states,
2 "It was recommended that [Debtor] contact the Trustee and request a continuance." *Id.*

3
4 After the deadline to file a response to the Complaint, Debtor requested that the Trustee
5 provide an extension of 30 days for Debtor to do so. Attached as Exhibit A to the Debtor's 2026
6 Declaration is an email from Debtor, addressed to counsel for the Trustee, requesting a 30-day
7 extension. The email is dated November 11, 2025 [doc. 20].⁶ On November 10, 2025, before the
8 date of this email, the Trustee had filed the Default Request [doc. 5].

9
10 On February 6, 2026, Trustee filed an opposition to the Motion and evidentiary
11 objections to Debtor's 2026 Declaration and the Walter Decl. [docs. 33 and 34]. On February 9,
12 2026, Debtor filed a reply and her response to the evidentiary objections [docs. 36 and 37].

13 II. LEGAL STANDARDS

14 Pursuant to Rule 7055, Federal Rule of Civil Procedure ("FRCP") 55 applies to adversary
15 proceedings. Under FRCP 55(c), "[t]he court may set aside an entry of default for good cause,
16 and it may set aside a default judgment under [FRCP] 60(b)."

17
18 To determine "good cause", a court must "consider[] three factors: (1) whether [the
19 party seeking to set aside the default] engaged in culpable conduct that led to the
20 default; (2) whether [it] had [no] meritorious defense; or (3) whether reopening the
21 default judgment would prejudice" the other party. This standard, which is the same
22 as is used to determine whether a default judgment should be set aside under Rule
60(b), is disjunctive, such that a finding that any one of these factors is true is
sufficient reason for the district court to refuse to set aside the default.

23 *United States v. Signed Pers. Check No. 730 of Yubran S. Mesle*, 615 F.3d 1085, 1091 (9th Cir.
24 2010) (alterations in original; internal citations omitted).

25
26
27 ⁶ In this email, in requesting a 30-day extension of time to file a response to the Complaint, Debtor represents:
28 "After my second chemotherapy very severe weakness and dizziness overtakes my whole body which sometimes
lasts a couple of months." Ex. A to Debtor's 2026 Declaration [doc. 20]. Debtor has not provided any documentary
evidence of Debtor having had chemotherapy or any illness which precludes Debtor from going to the Studio City
Address to get mail or timely filing a response to the Complaint.

1 As a defaulting party invoking FRCP 55(c), Debtor bears the burden of demonstrating
2 that these factors favor obtaining relief from her default. *TCI Group Life Ins. Plan v. Knoebber*,
3 244 F.3d 691, 696 (9th Cir. 2001), overruled on other grounds by *Egelhoff v. Egelhoff ex rel.*
4 *Breiner*, 532 U.S. 141 (2001) (emphasis in original). A court's denial of a FRCP 55(c) motion is
5 reviewed for abuse of discretion. *Mesle*, 615 F.3d at 1091; *Franchise Holding, LLC v.*
6 *Huntington Restaurants Group, Inc.*, 375 F.3d 922, 925 (9th Cir. 2024) ("We review the district
7 court's factual findings for clear error and, if those findings are not clearly erroneous, we review
8 the court's decision to deny [movant's] Rule 55(c) motion for abuse of discretion.").

11 **A. Culpable Conduct**

12 A defendant's conduct is culpable if she has "received actual or constructive notice of the
13 filing of the action and *intentionally* failed to answer." *TCI Group*, 244 F.3d at 697 (emphasis in
14 original).

15 As explained by the Ninth Circuit Court of Appeals:

16
17 the term "intentionally" means that a movant cannot be treated as culpable simply
18 for having made a conscious choice not to answer; rather, to treat a failure to answer
19 as culpable, the movant must have acted with bad faith, such as an "intention to
20 take advantage of the opposing party, interfere with judicial decision making, or
21 otherwise manipulate the legal process." We have "typically held that a defendant's
22 conduct was culpable for purposes of the [good cause] factors where there is no
23 explanation of the default inconsistent with a devious, deliberate, willful, or bad
24 faith failure to respond." . . . [I]t is clear that simple carelessness is not sufficient to
25 treat a negligent failure to reply as inexcusable, at least without a demonstration
26 that other equitable factors, such as prejudice, weigh heavily in favor of denial of
27 the motion to set aside a default.

28 *Mesle*, 615 F.3d at 1092-93 (internal citations omitted). Examples of behavior which the Ninth
Circuit Court of Appeals has held to be culpable include "conduct by parties that is calculated to
help them retain property in their possession, and avoid liability by staying out of court." *Mesle*,
615 F.3d at 1094.

1 In assessing culpability, a court may consider "the defaulting party's general familiarity
2 with legal processes or consultation with lawyers at the time of the default as pertinent to the
3 determination whether the party's conduct in failing to respond to the legal process was
4 deliberate, willful or in bad faith." *TCI Group*, 244 F.3d at 699. As further explained by the
5 Court of Appeals in *TCI Group*:

7 Absent some explanation . . . , it is fair to expect that individuals who have
8 previously been involved in litigation or consulted with a lawyer appreciate the
9 consequences of failing to answer and do so only if they see some advantage to
10 themselves. We have not held, however . . . that legal sophistication or lack thereof
11 is determinative of whether the culpability standard is met.

12 *Id.*

13 **B. Meritorious Defense**

14 "A defendant seeking to vacate a default judgment must present specific facts that
15 would constitute a defense. But the burden on a party seeking to vacate a default
16 judgment is not extraordinarily heavy." All that is necessary to satisfy the
17 "meritorious defense" requirement is to allege sufficient facts that, if true, would
18 constitute a defense: "the question whether the factual allegation [i]s true" is not to
19 be determined by the court when it decides the motion to set aside the default.
20 Rather, that question "would be the subject of the later litigation."

21 *Mesle*, 615 F.3d at 1094 (quoting *TCI Group*, 244 F.3d at 700; internal citations omitted).

22 **1. The Provisions of 11 U.S.C. § 727(a)(2)(B)**

23 11 U.S.C. § 727(a)(2)(B) provides that the court shall grant the debtor a discharge,
24 unless:

25 (2) the debtor, with intent to hinder, delay, or defraud a creditor or an officer of the
26 estate charged with custody of property under this title, has transferred, removed,
27 destroyed, mutilated, or concealed, or has permitted to be transferred, removed,
28 destroyed, mutilated, or concealed—

[. . .]

B. property of the estate, after the date of the filing of the petition[.]

1 In order for a party to establish the elements under § 727(a)(2)(B), the party must show:
2 "(1) [t]here must be a transfer of property; (2) [i]t involves property of the estate; (3) [t]he
3 transfer occurred after the filing of the petition; [and] (4) [t]he debtor had, at the time of the
4 transfer, an intent to hinder, delay, or defraud a creditor [or a chapter 7 trustee]." *In re Choy*, 569
5 B.R. 169, 181 (Bankr. N.D. Cal. 2017) (internal citation and quotations omitted).
6

7 Section 727(a)(2)(B) does not require that the debtor "*intend* to transfer property of the
8 estate. Instead, § 727(a)(2)(B) simply calls for a transfer of property of the estate, and that [the
9 debtor] accomplish this transfer with an intent to hinder, delay or defraud. These are two separate
10 elements which cannot be intertwined." *Id.* at 182.
11

12 **2. The Provisions of 11 U.S.C. § 727(a)(4)(A)**

13 11 U.S.C. § 727(a)(4)(A) provides that "[t]he court shall grant the debtor a discharge,
14 unless—(4) the debtor knowingly and fraudulently, in or in connection with the case—(A) made
15 a false oath or account." "The fundamental purpose of § 727(a)(4)(A) is to ensure that the trustee
16 and creditors have accurate information without having to conduct costly investigations." *In re*
17 *Retz*, 606 F.3d 1189, 1196 (9th Cir. 2010) (internal quotations and citations omitted).
18

19 To bring a successful objection to chapter 7 discharge on grounds of false oath, "a
20 plaintiff must show, by a preponderance of the evidence, that (1) the debtor made a false oath in
21 connection with the case; (2) the oath related to a material fact; (3) the oath was made
22 knowingly; and (4) the oath was made fraudulently." *Retz*, 606 F.3d at 1197.
23

24 "A fact is material if it bears a relationship to the debtor's business transactions or estate,
25 or concerns the discovery of assets, business dealings, or the existence or disposition of the
26 debtor's property." *Id.* at 1198 (internal citations and quotations omitted). "An omission or
27 misstatement that detrimentally affects administration of the estate is material." *Id.* (internal
28

1 citations and quotations omitted). "A debtor acts knowingly if he or she acts deliberately or
2 consciously." *Id.* (internal citations and quotations omitted).

3 To establish "fraudulent intent" pursuant to 11 U.S.C. § 727(a)(4)(A) a plaintiff must
4 show that (1) the debtor made the representation, (2) at the time the debtor knew it was false, and
5 (3) the debtor made the statement with the intention and purpose of deceiving creditors. *Id.* at
6 1198-99. Intent is usually proven by circumstantial evidence or inferences drawn from the
7 debtor's conduct. *Id.* at 1199.

9 C. Prejudice

10 To be prejudicial, setting aside a judgment "must result in greater harm than simply
11 delaying resolution of the case." *TCI Group*, 244 F.3d at 701 (citing *Falk*, 739 F.2d at 463).
12 Rather, "the standard is whether [plaintiff's] ability to pursue his claim will be hindered." *Id.*

14 III. ANALYSIS

15 An adverse finding to Debtor with respect to any of the relevant factors "is sufficient
16 reason for the [court] to refuse to set aside the default." *Mesle*, 615 F.3d at 1091. As discussed
17 below, under the applicable standards and factors, the Court's refusal to set aside Debtor's
18 default is warranted.

19 First, the Court holds that Debtor's conduct is culpable. The Court finds that Debtor
20 intentionally, in bad faith, failed to file a response to the Complaint before the Trustee filed the
21 Default Request. Debtor's delayed request for an extension of time from the Trustee, her failure
22 to file an answer to the Complaint when due or subsequently, Debtor's failure, as a debtor in
23 possession, to provide accurate information regarding the income generated postpetition by the
24 Wilkinson Avenue Property and the actions Debtor has taken to delay and hinder the Trustee
25
26
27
28

1 from administering the Wilkinson Avenue Property and its rental income, e.g., her failure to
2 provide the Requested Documents to the Trustee, are representative of Debtor's bad faith.

3 Second, as to the cause of action for making a false oath under 11 U.S.C. § 727(a)(4) (A),
4 Debtor has not met the minimal burden required to establish a meritorious defense to the
5 Complaint.
6

7 **A. Culpable Conduct**

8 On October 13, 2025, the Trustee properly served Debtor with the Complaint and
9 Summons at Debtor's identified mailing address [doc. 4 in Bankruptcy Case]. No later than
10 November 5, 2025, and likely before then, Debtor received actual notice of the Trustee's service
11 of the Complaint and Summons and the November 6th deadline to file a response to the
12 Complaint.
13

14 Debtors in bankruptcy cases have a continuing duty to inform the Court, and other parties
15 in interest, if their mailing address changes during the course of their case. See Rule 4002(a)
16 ("[A] debtor must [. . .] file a statement of change in the debtor's address.").

17 Debtor has not identified the date on which *Debtor* learned of the Trustee's filing and
18 service of the Complaint and Summons. Debtor merely states that Debtor learned about the
19 service of the Complaint from her daughter, when her daughter went to the Studio City Address.
20

21 Debtor argues that her alleged illness prevents Debtor from timely monitoring the
22 delivery of mail at the Studio City Address. In her declaration, Debtor contends that she has been
23 ill for many years. Debtor's 2026 Declaration, ¶ 4. Nonetheless, when Debtor filed her chapter
24 11 petition (while Debtor had the assistance of bankruptcy counsel), Debtor elected to receive
25 pleadings which were filed in the Bankruptcy Case at the Studio City Address.
26
27
28

1 In 2025, Debtor entered into two stipulations with the Trustee to extend the deadline for
2 the Trustee to file the Complaint. The contents of Debtor's 2026 Declaration and the Walter
3 Decl. indicate that Debtor learned of the Trustee's service of the Complaint and Summons before
4 November 6, 2025, and needlessly delayed seeking a 30-day extension of time to respond to the
5 Complaint until *after* the Trustee filed the Default Request.
6

7 The Court holds that Debtor's conduct in failing to file a timely response to the
8 Complaint was in furtherance of Debtor's intention to prevent creditors from gaining access to
9 the nonexempt equity in, and rents generated by, the Wilkinson Avenue Property, is in bad faith
10 and is culpable.
11

12 **B. Meritorious Defense**

13 For the Court to deny Debtor's chapter 7 discharge, the Trustee must prevail on one of
14 the claims under § 727(a) asserted in the Complaint; the Trustee need not prevail on both of the
15 asserted claims under § 727.
16

17 Denial of discharge claims are "to be construed liberally in favor of debtors and strictly
18 against the objector." *In re Devers*, 759 F.2d 751, 754 (9th Cir. 1985). "However, only honest
19 debtors deserve a bankruptcy discharge and a fresh start." *Hopkins v. Hughes (In re Hughes)*,
20 349 B.R. 72, 78 (Bankr. D. Idaho 2006).
21

22 **1. Whether Debtor Has Set Forth a Meritorious Defense under 11 23 U.S.C. § 727(a)(2)(B)**

24 For the Court to deny a chapter 7 discharge under 11 U.S.C. § 727(a)(2)(B), the Trustee
25 must establish: (1) a transfer, (2) of property of the estate, (3) which occurred after the filing of
26 the petition, and (4) the debtor had, at the time of the transfer, an intent to hinder, delay or
27 defraud. *Choy*, 569 B.R. at 181.
28

1 **a. Debtor Transferred the Wilkinson Avenue Property**
2 **Postpetition**

3 Debtor admits that, in 2025, Debtor executed and delivered the Deed; the Deed
4 transferred the Wilkinson Avenue Property to Mr. Arakelyan, "a married man, as his sole and
5 separate property." Debtor's 2026 Declaration, ¶ 10; Exhibit 2 to the Complaint.

6 **b. The Wilkinson Avenue Property Is Property of the Estate**

7 In her schedules and statement of financial affairs filed with the Court, Debtor states that
8 she is the sole owner of a fee simple interest in the Wilkinson Avenue Property and represents
9 that the rents from that property constitute her income. In the Status Report and the DIP
10 Declaration, Debtor also represented that she is the owner of that property and the rents.
11

12 Debtor's subsequent, recent representations that Mr. Arakelyan has owned the Wilkinson
13 Avenue Property since at least 2007, pursuant to an unrecorded deed, entirely conflict with prior
14 sworn statements which Debtor made to the Court. Under oath, Debtor previously represented
15 that she: (1) owned the Wilkinson Avenue Property; (2) was qualified to offer an opinion about
16 the current value of that property; and (3) should be authorized to use the rents generated by that
17 property in the Bankruptcy Case.
18

19 **c. Debtor's Intent to Hinder or Delay the Trustee's**
20 **Administration of the Estate**

21 As concerns the Motion, Debtor has raised a sufficient defense regarding her lack of
22 intent to hinder or delay the Trustee when she signed the Deed to transfer the Wilkinson Avenue
23 Property to her husband. During a continued meeting of creditors, Debtor acknowledged that she
24 had signed the Deed.
25

26 In Debtor's 2026 Declaration, Debtor represents that she did not participate in the
27 settlement discussions between the Trustee and Mr. Arakelyan and that she relied on information
28

1 provided to her by Mr. Arakelyan about those settlement discussions. Debtor allegedly believed
2 that her execution of the Deed would effectuate a settlement with the Trustee by enabling Mr.
3 Arakelyan to refinance the debt encumbering the Wilkinson Avenue Property and then make a
4 sufficient settlement payment to the Trustee. If true, Debtor's alleged lack of intent to hinder or
5 delay the Trustee by executing the Deed would constitute a meritorious defense under 11 U.S.C.
6 § 727(a) (2)(B).
7

8 **2. Whether Debtor Has Set Forth a Meritorious Defense under 11**
9 **U.S.C. § 727(a)(4)**

10 To bring a successful objection to chapter 7 discharge for a false oath under 11 U.S.C. §
11 727(a)(4), the Trustee must show that: (1) the debtor made a false oath in connection with the
12 case; (2) the oath related to a material fact; (3) the oath was made knowingly; and (4) the oath
13 was made fraudulently. *Retz*, 606 F.3d at 1197.
14

15 **a. Debtor Made a False Oath**

16 Debtor's testimony provided at the March 19, 2025 meeting of creditors, i.e., that Mr.
17 Arakelyan lives in the Wilkinson Avenue Property and not with Debtor in the Ben Avenue
18 Property, is contradictory to Debtor's prior oath made in writing and filed with the Court. In the
19 Status Report (which is supported by the DIP Declaration, signed under penalty of perjury),
20 Debtor represents that she and her husband live together in one unit in the Ben Avenue Property.
21 Based on Debtor's statement, made under oath, that she and Mr. Arakelyan both live in a unit at
22 the Ben Property, Debtor's subsequent oath at the March 19, 2025 meeting of creditors that Mr.
23 Arakelyan actually has been residing in the Wilkinson Avenue Property since no later than 2017,
24 is false.
25

26
27 Debtor has not provided any explanation of why, when she was represented by counsel as
28 a debtor in possession, she stated, under oath in the Status Report (supported by the DIP

1 Declaration), that she and her husband lived together in a unit at the Ben Avenue Property, yet in
2 2025, after the Court converted the Bankruptcy Case, the Court determined that the Wilkinson
3 Avenue Property likely has equity which could be used to provide a distribution to Debtor's
4 creditors and the Trustee has attempted to administer the Wilkinson Avenue Property for the
5 benefit of creditors, Debtor testified that her husband does not live in the Ben Avenue Property
6 and she and her husband have separate residences.
7

8 **b. False Statement Was Material**

9 Because Mr. Arakelyan has filed a homestead declaration regarding the Wilkinson
10 Avenue Property, whether Mr. Arakelyan resides with Debtor in the Ben Avenue Property or in
11 the Wilkinson Avenue Property is material to the amount of nonexempt equity in the Wilkinson
12 Avenue Property available for distribution to Debtor's creditors and the Trustee's administration
13 of Debtor's bankruptcy estate.
14

15 **c. False Statement Was Made Knowingly**

16 In the Status Report, Debtor states that Debtor and her spouse live in one unit at the Ben
17 Avenue Property and the other three units are rented for a combined monthly total rental income
18 of \$5,500.00. The DIP Declaration, filed with the Status Report, contains the following
19 declarations of truthfulness:
20

21 I, Anush Araklyan [sic], declare:

22 I know the following facts to be true from my own personal knowledge, except
23 those facts which are stated on information and belief and as to those facts I believe
24 them to be true. I could and would competently testify under oath to the truthfulness
25 of the following facts:

26 1. I am the Debtor in this pending case. As such, I have personal knowledge of the
27 facts stated herein, and if call upon to testify thereto, I could and would do so
28 competently and truthfully.

[. . .]

1
2 3. I have read the foregoing Status Report and the same is true and correct to the
best of my knowledge.

3
4 [. . .]

5 I declare under penalty of perjury under the laws of the United States of America
6 that the foregoing is true and complete to the best of my knowledge. Executed in
Los Angeles, on this 17th day of September, 2024.

7 DIP Declaration, p. 1. Debtor signed the DIP Declaration [doc. 29 in Bankruptcy Case].

8 During Debtor's meeting of creditors held in March 2025, under oath, Debtor stated that
9 her husband has lived in the Wilkinson Property since no later than 2017. In Debtor's 2026
10 Declaration filed in support of the Motion (for which Debtor is represented by counsel),
11 following Mr. Arakelyan's postpetition recordation of a homestead declaration for the Wilkinson
12 Property, Debtor states that she lives alone in the Ben Avenue Property and her husband lives in
13 the Wilkinson Avenue Property.

14 Debtor has deliberately and consciously made these statements.

15
16
17 **d. Oath Was Fraudulent**

18 To establish "fraudulent intent" pursuant to 11 U.S.C. § 727(a)(4)(A), a plaintiff must
19 show that (1) debtor made the representation, (2) at the time the debtor knew it was false, and (3)
20 debtor made the statement with the intention and purpose of deceiving creditors. *Retz*, 606 F.3d
21 at 1198-99. Intent is usually proven by circumstantial evidence or inferences drawn from the
22 debtor's conduct. *Id.* at 1199.

23
24 In December 2024, after finding that Debtor was concealing her income and monthly
25 expenses from the Court and creditors, the Court converted the Bankruptcy Case from chapter 11
26 to chapter 7. At that time, based on Debtor's sworn statements about her being the sole owner of
27 a fee simple interest in the Wilkinson Avenue Property, Debtor's valuation of her scheduled
28

1 interest in that property and the amount of the claims secured by that property, the Court noted
2 that the Wilkinson Avenue Property appeared to have substantial nonexempt equity which could
3 generate a distribution to Debtor's unsecured creditors.
4

5 Before the Court converted the Bankruptcy Case, Debtor states in the Status Report that
6 she and her husband live together in the Ben Avenue Property, Debtor's brother lives in the
7 Wilkinson Avenue Property and Debtor's brother pays all of the expenses for the Wilkinson
8 Avenue Property, including secured debt payments. Debtor filed her declaration in which she
9 testifies that these statements are true. After the conversion of the Bankruptcy Case, and several
10 meetings of creditors, Debtor substantially changed her prior sworn testimony about where Mr.
11 Arakelyan lives.
12

13 Moreover, although Debtor now contends that she transferred an interest in the Wilkinson
14 Avenue Property to Mr. Arakelyan many years prepetition (which transfer was never recorded),
15 in Debtor's schedule A/B and amended schedule A/B, Debtor represents that she is the sole
16 owner of a fee simple interest in the Wilkinson Avenue Property. Under penalty of perjury,
17 Debtor declared that those schedules were true.
18

19 In Debtor's 2026 Declaration, Debtor does not provide an explanation as to why Mr.
20 Arakelyan filed a homestead declaration for the Wilkinson Avenue Property in May 2025, i.e.,
21 months after the Court converted the Bankruptcy Case to chapter 7. *See* Exhibit 1 to Complaint.
22 Mr. Arakelyan's filing of the homestead declaration followed several meetings of creditors, at
23 which Debtor appeared and was asked to provide documents to the Trustee regarding the income
24 generated by the Wilkinson Avenue Property. Debtor does not contest that she has failed to
25 provide the Requested Documents to the Trustee; this is similar to Debtor's failure to provide
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27
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1 similar information in her monthly operating reports when Debtor was a debtor in possession and
2 represented by bankruptcy counsel.

3 The contradictory representations made by Debtor about where Mr. Arakelyan resides,
4 the timing of Debtor's revised representation that she lives alone in the Ben Avenue Property and
5 her husband resides in the Wilkinson Avenue Property, and Mr. Arakelyan's recordation of a
6 homestead declaration for the Wilkinson Avenue Property in May 2025 evidence that Debtor has
7 made a false oath about the residence of Mr. Arakelyan with the intention and purpose of
8 deceiving her creditors.
9

10 As a result, Debtor has not set forth a meritorious defense to Trustee's claim under 11
11 U.S.C. § 727(a)(4)(A).
12

13 **C. Prejudice**

14 Trustee contends that he will suffer prejudice if the Motion is granted because the estate
15 will incur expenses to litigate the Complaint. In addition, the Court's adjudication of this
16 adversary proceeding will be delayed by Debtor's lack of on-going legal representation.
17 However, these circumstances do not establish the necessary prejudice to deny a request to lift a
18 default.
19

20 In nearly all cases in which a defendant seeks relief from an entry of default, and if the
21 Court grants relief from default, a plaintiff will need to spend additional resources to prosecute
22 the action. Furthermore, Debtor's potential lack of counsel in the future does not constitute a
23 sufficiently prejudicial situation to deny Debtor relief from default.
24

25 However, in light of Debtor's culpable conduct and her lack of a meritorious defense to
26 Trustee's claim under 11 U.S.C. § 727(a)(4)(A), the issue of prejudice is not by itself
27
28

1 determinative. Either of these factors is sufficient reason for the Court to refuse to set aside the
2 default.

3 **IV. CONCLUSION**

4 The Court will deny the Motion.

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Date: March 3, 2026


Victoria S. Kaufman
United States Bankruptcy Judge