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## K&L Gates Sued Over Failed Chesapeake Investment

By Jess Davis

Law360, Dallas (February 25, 2013, 7:40 PM ET) -- K&L Gates LLP was sued Thursday for \$15 million by a Texas business that says the firm rushed a deal to invest in a Chesapeake Energy Corp. unit without performing due diligence or disclosing conflicts of interest, costing the business its entire investment.

The suit, brought by Dean Hazen through his Hazen Ng LLC, alleges K&L Gates attorneys duped him into a commitment to invest in a farmout deal with Chesapeake Appalachia LLC in 2009, but failed to perform due diligence on Hazen's would-be partner in the deal and didn't adequately disclose their conflicts of interest. Hazen says he lost \$5 million from the investment and wants triple damages because of K&L Gates's alleged gross negligence in arranging the transaction.

According to the suit, at an April 2009 dinner, K&L Gates' Julie Lennon, who is now general counsel at Gaedeke Group, persuaded Hazen to partner with Daugherty Petroleum Inc. in the Chesapeake farmout deal, but didn't formalize the partnership commitment in the deal, leaving Hazen on the hook for the entire investment.

"Defendants placed their own interests ahead of Hazen and Dean's so that they could line their pockets with fees for putting the deal together," the suit said.

Through a spokesman, the firm declined comment Monday.

Hazen contends Lennon and the firm's John R. Hardin pushed the deal through in two weeks and says although he committed to an initial investment of \$3.1 million, he was forced to pick up the slack when DPI backed out of its promise to put up \$1.5 million for the project. He alleges Lennon favored her friend and neighbor, the owner of DPI, at his expense, and says the firm didn't include any details in its written agreement that would have protected him from DPI's eventual failure to deliver.

Hazen further accuses the attorneys of deliberately breaking professional conduct rules that should have protected him from the conflict of interest in the firm representing both DPI and Hazen Ng. He says in an "egregious" move, the firm represented both parties and only requested a waiver for the conflict of interest 12 days after the deal was finished and a month after the conflict first arose.

"Had the appropriate disclosures been made and had the appropriate due diligence been provided to Hazen, Hazen would never have agreed to the joint representation and never agreed to consummate the agreement," the suit says.

The suit accuses K&L Gates of negligence, breach of its fiduciary duty and violations of the Texas Deceptive Trade Practices Act.

Hazen is represented by Lance C. Kassab and David Eric Kassab of Law Offices of Lance Christopher Kassab PC.

Counsel information for K&L Gates was not immediately available.

The case is Hazen NG LLC v. K&L Gates LLP et al., case number DC-13-02198, in the 193rd Judicial District Court of Dallas County, Texas.

--Editing by John Quinn.

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