FILED

JAN 14 2014

DISCIPLINARY BOARD

BEFORE THE
DISCIPLINARY BOARD
OF THE
WASHINGTON STATE BAR ASSOCIATION

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| In re<br><br>**RAYMOND G. SANDOVAL,**<br><br>Lawyer (Bar No. 33792). | Proceeding No. 10#00107<br><br>STIPULATION TO THREE YEAR SUSPENSION |

Under Rule 9.1 of the Rules for Enforcement of Lawyer Conduct (ELC), the following Stipulation to suspension is entered into by the Washington State Bar Association (Association), through disciplinary counsel Debra Slater, Respondent lawyer Raymond G. Sandoval, and Respondent's counsel William Cameron.

Respondent understands that he is entitled under the ELC to a hearing, to present exhibits and witnesses on his behalf, and to have a hearing officer determine the facts, misconduct and sanction in this case. Respondent further understands that he is entitled under the ELC to appeal the outcome of a hearing to the Disciplinary Board, and, in certain cases, the Supreme Court. Respondent further understands that a hearing and appeal could result in an outcome more favorable or less favorable to him. Respondent chooses to resolve this proceeding now by entering into the following stipulation to facts, misconduct and sanction to



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avoid the risk, time, and expense attendant to further proceedings.

Respondent wishes to stipulate to suspension rather than proceed to a public hearing. Respondent agrees that if this matter were to proceed to a public hearing, there is a substantial likelihood that the Association would be able to prove, by a clear preponderance of the evidence, the facts and misconduct in paragraphs 1 through 148.

In January 2013, the parties entered into a stipulation to a three year suspension. That stipulation was rejected by the Disciplinary Board because the sanction was "inadequate." Since that time, developments have led the parties to enter into a new stipulation for the longest possible suspension, three years.

Since negotiating the previous stipulation, there have been developments that have had an impact on the Association's case. The Association's designated expert witness became a judge and is unavailable. The underlying conduct in this case occurred in 2007-2008. The passage of time has had an impact on the Association's case. The memory of some of the witnesses has faded over time. For some witnesses, the loss of their home was a painful experience they have put behind them. They are reluctant to relive the experience and are not motivated to testify. Some witnesses have not been located. The result is that the unavailability of some witnesses and the unwillingness of others to testify makes it difficult for the Association to establish a level of harm consistent with the ABA Standards for disbarment.

Because of these issues, both parties want to save the time, costs, and uncertainty attendant with a lengthy hearing. Consequently, Respondent and the Association have determined that stipulating to a three year suspension is in the best interest of all parties.

## I. ADMISSION TO PRACTICE

1. Respondent was admitted to practice law in the State of Washington on June 19,



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2003.

## II. CURRENT STATUS

2. Respondent has closed his practice in Washington and moved to New Mexico to be closer to his father, who is in poor health. He is currently on inactive status in Washington and is suspended for non-payment of fees. Respondent has stated that he does not anticipate returning to Washington to practice law.

## III. STIPULATED FACTS

**Respondent's Home Retention Program**

3. Respondent maintained a practice that focused on representing debtors in bankruptcy, which he operated as "RGS Legal, a Financial Legal Services Corporation."

4. Respondent was also a licensed Real Estate Broker.

5. Respondent employed Lisa Walker as his paralegal. Walker served as vice president of RGS Legal. Walker also owned and operated Walker Consulting Group, Inc.

6. Respondent offered a "Home Retention Program" (Program) to some of his clients who were behind in their house payments and had substantial equity in their homes.

7. Respondent believed that the Program was the only way for these clients to save their homes.

8. The Program provided that clients sell their homes to private investors. The investor became the owner of the home and the client continued to live in the home and pay rent and additional sums, including an option payment. In some cases, the rent payment was paid to a third party servicer, NoteWorld, which the parties understood would report the payments on the clients' credit report. This was intended to help the clients improve their credit.

9. The investor procured a new loan on the house in his or her name based on the



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current value of the house, which was greater than the amount the client owed on the house. The investor's new loan would pay off the client's existing mortgage, thereby clearing any arrearage, stop any pending foreclosure, and prevent any future foreclosure by that lender. The funds would also pay off other encumbrances on the property, closing costs and generate cash.

10. In most cases, the cash was distributed to Respondent, Walker Consulting Group, Inc., and the investor. Respondent charged fees for his services and Walker, who was responsible for procuring investors, received substantial payments for her services.

11. Because the transaction was a sale, the client paid substantial closing costs, including excise tax, escrow fees, title insurance fees, etc. Respondent handled the closing of the transaction and received additional fees for handling the closing.

12. The client had an option to repurchase the house from the investor at a future date, usually two to three years later. If the client opted to buy back the house from the investor, he or she paid a calculated "fair market value" with the net proceeds divided between the debtor/client and the investor as described in the contract. Because of the robust state of the real estate market, Respondent anticipated that the house would increase in value over the life of the Program, resulting in a gain for both the investor and the client.

13. The responsibilities of the parties under the Program were memorialized in a series of legal documents that were highly technical and voluminous and included a Real Estate Contract for Deed (Contract).

14. The client also signed a document in which they explained in their own words why they chose to participate in the Home Retention Program. The document encouraged the client to seek a second legal opinion if they had any reservations about the Program.

15. The client had the right to rescind the transaction within three (3) days of signing the



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documents.

16. The Contract Respondent drafted contained a number of provisions that attempted to minimize Respondent's duties to his client.

17. The Contract stated that Respondent had brought the client and the investor together, and that Respondent oversaw the sale, including negotiation of the purchase contract. The Contract also stated that Respondent facilitated the logistical administration of the Contract and acted as a conduit between the buyer and seller. The parties agreed to hold Respondent harmless from the consequences of action or inaction by either party resulting in claims against Respondent. Also, it entitled Respondent to attorney fees in defending any such action.

18. The Contract further stated that Respondent would work with the client to improve their credit worthiness and secure financing to allow for completion of the Contract.

19. As part of the Program, Respondent sent a letter to the client explaining that Walker's role in their case was to bring investors to the table and that Walker was an agent for the investor. The letter cautioned the client not to disclose information to Walker that they did not want the investor to know. The letter also stated that Walker would receive a fee from the investor.

20. In most cases, the monthly payments under the Program were equal to or greater than the monthly payments the client was obligated to pay on their existing loan. However, the payments were often less than any payments needed to cure a default or pay any arrearage on the existing loan.

21. Some deals under the Program ended when Respondent's clients were unable to make their monthly payments to the investors, causing them to lose not only their homes, but any equity they had.



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**Ferreira Transaction**

22. Allana Ferreira's job situation was unstable and she owed back income taxes to the IRS. She consulted with Respondent to help her deal with the tax issues.

23. The arrearage on Ferriera's existing mortgage was over $10,000. She could not afford the payments that were required to cure the arrearage and pay her monthly mortgage payments.

24. Although Ferreira's primary goal was dealing with her tax issues, not remaining in her house, she decided to participate in the Home Retention Program.

25. Walker located investor Matthew Burklund to purchase Ferreira's home.

26. On June 28, 2006, Burklund and Ferreira entered into a Purchase and Sale Agreement wherein Burklund agreed to buy Ferreira's house for $345,000. They also entered into a Contract, which contained the specifics of the Program as it applied to Burklund and Ferreira.

27. Although Respondent explained many aspects of the transaction to Ferreira, he did not adequately explain the effects of the terms or the risks inherent in the Program.

28. The Contract provided that Ferreira was entitled to possession of the house. She was to pay Burklund monthly payments consisting of a $625 possessor's payment, a proration of the option fee amounting to $1,750, a $45 warranty payment, and a $13 payment processing fee for NoteWorld.

29. Ferreira's payment under the program totaled $2,433, approximately $200 more than her previous payments.

30. Respondent was aware that Ferreira was having difficulty making her mortgage payments prior to entering the Program and should have realized that she would have difficulty



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making the higher payment required under the Program.

31. Ferreira agreed to repurchase the property at fair market value by August 31, 2009 or sell it to a third party.

32. One of the documents that was part of the Program, "Exclusive Agency Agreement for Real Property with Flat Fee Commission in Lieu of Hourly Attorney Fee Agreement" provided that Respondent would receive a fee/commission of $13,800.

33. In an addendum to the Contract, Ferreira agreed to pay Burklund an additional $27,600 for the option to repurchase the property. This $27,600 was paid to Walker Consulting Group, Inc., the business owned by Respondent's paralegal.

34. On or about July 10, 2006, the sale from Ferreira to Burklund closed. Respondent handled the closing.

35. At closing, Ferreira paid $49,814 in costs and fees, including $13,800 to Respondent as his fee/commission. Respondent also received $1,880 for handling the closing. Walker Consulting Group, Inc., received $27,729.37 as a consulting fee. At closing, Ferreira also paid over $6,100 in Excise Tax, approximately $5,150 in loan broker fees, and $822 for title insurance. Ferreira received $2,000.

36. Ferreira would have received $40,000 if she had filed a Chapter 7 bankruptcy and the trustee had sold her house.

37. Soon after the deal closed, Ferreira was unable to make the payments to Burklund and in February 2007, Ferreira's contract with Burklund was terminated. In April 2007, Burklund evicted Ferreira from her house. Walker prepared the eviction paperwork for Burklund without Respondent's knowledge or permission to do so.

38. On June 4, 2007, Respondent filed a Chapter 7 Bankruptcy petition for Ferreira. On



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March 3, 2008, the Bankruptcy Trustee filed a lawsuit against Respondent, Walker, and Burklund alleging breach of duty, professional negligence, and recovery of fraudulent transfer. The lawsuit was settled, with the Trustee receiving $37,500, of which $5,000 was paid to Ferreira.

39. Ferreira initially relocated to live with her daughter. She has since returned to the Seattle area and lives in an apartment in Edmonds.

**Hopper Transaction**

40. Susan Hopper lived in a house she owned jointly with her sister, Bonnie Hopper. The Hoppers were behind on their house payments.

41. The Hoppers decided to participate in the Program. Respondent obtained an appraisal on the Hoppers' house, which reflected that they had $95,000 in equity in their home.

42. The Hoppers understood the Program meant that they would pay lower monthly payments, they would be able to continue living in their house, and at the end of two years, they would be able to repurchase the house from the investor.

43. The Hoppers understood that their monthly payments to the investor would be $1,900. In addition, they would pay $600 per month that would be set aside for a down payment to be used at the conclusion of the two year option period. Respondent told the Hoppers that after two years, they would have funds saved for use as a down payment that would enable them to obtain new financing and repurchase their home.

44. Respondent did not adequately explain the risks inherent in the Program to the Hoppers.

45. Walker brought in investor Matthew Burklund to purchase the Hoppers' house.

46. Respondent drafted the Contract between the Hoppers and Burklund as the Hoppers'



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lawyer. Respondent did not explain to the Hoppers the effect of many of the terms of the Contract.

47. The Contract stated that the Hoppers would have a lower monthly obligation. The Contract the Hoppers signed stated that the repurchase price would be the fair market value less a credit to them of approximately $26,600.

48. The Hoppers signed the Contract on June 19, 2006. Burklund signed the contract on June 22, 2006. When Burklund executed the contract, he crossed out the provision that provided that the Hoppers would receive a $26,600 credit and initialed the change. Respondent did not advise the Hoppers of the change Burklund made to the Contract.

49. At closing, Respondent received a fee/commission of $22,800. Respondent handled the closing and received an additional $950 in closing fees. Walker Consulting Group, Inc., received a fee of $38,000, and the Hoppers received $9,000.

50. During the two year Contract period, the Hoppers timely made the payments to Burklund required by the contract.

51. The Hoppers understood that as part of the Program, Respondent was going to help them rebuild their credit. However, during the two year Contract period, Respondent had minimal contact with the Hoppers and did not help them rebuild their credit.

52. In or around May or June 2007, the Hoppers met with Respondent and inquired about the funds that were set aside for the down payment needed to repurchase their house. Respondent informed the Hoppers that there was no money for them.

53. At the end of the contract period, the Hoppers decided not to repurchase the house because the down payment was not available. Instead, the Hoppers decided to exercise their right under the Contract to sell the house to a third party, and on January 30, 2008, Respondent



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notified Burklund that the Hoppers had decided to sell the house to a third party.

54. Under the Contract, Respondent had been granted an exclusive right to list and sell the property. Because Respondent had closed his practice and moved to New Mexico, he was not able to list the house and ceased assisting the Hoppers. They began communicating directly with Burklund.

55. The Hoppers were not able to reach an agreement with Burklund to sell the house. They lost their house and never recouped any money from the deal.

**Kirtland Transaction**

56. In 2005, Robert and Maribeth Kirtland consulted with Respondent about their financial situation. Respondent filed a Chapter 13 bankruptcy on their behalf.

57. Within several months, they defaulted on their payments and their case was dismissed.

58. In 2006, the Kirtlands consulted Respondent about their financial situation. They were in default on their house payments. They decided to participate in the Program.

59. Walker located investor Phillip Wolcott to buy the Kirtlands' house. Respondent drafted the Contract between the Kirtlands and Wolcott as the Kirtlands' lawyer.

60. Respondent did not adequately explain the risks inherent in the Program to the Kirtlands.

61. The Contract provided that if the buyers elected to sell the house rather than repurchase it, Respondent would be the listing agent for the sale.

62. The Kirtlands' payments under the Program were approximately the same as their existing payments, which they were unable to make.

63. RGS Legal acted as the closing escrow agent on the Kirtland/Wolcott sale.



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64. At closing, Respondent received $12,532.50 in legal fees, and $655 for handling the escrow. The HUD-1 disclosure statement shows the Kirtlands received $50,550.14. The Kirtlands actually received approximately $12,000.

65. At closing, Walker Consulting Group, Inc., received $12,750 as a consulting fee.

66. Although the Kirtlands repeatedly requested an accounting of the remaining $38,000, Respondent never provided an accounting to them.

67. The Kirtlands were not able to make the monthly payments to Wolcott. On January 29, 2008 the Kirtlands' Contract with Wolcott was terminated and the Kirtlands lost their house.

**Gemar Transaction**

68. On or about January 6, 2004, Jenny Gemar filed Chapter 13 Bankruptcy. Gemar subsequently lost her job and was unable to make the payments required by her Chapter 13 plan.

69. In July 2006, Russell Garrett, a Chapter 7 bankruptcy trustee, referred Gemar to Respondent to consult with him about her financial situation.

70. Gemar's Chapter 13 bankruptcy was converted to a Chapter 7 Bankruptcy.

71. In July 2006, Gemar's house was scheduled to be sold at a foreclosure sale. Respondent advised Gemar to participate in the Program and Gemar agreed.

72. Gemar was unemployed, had virtually no income, and was in the process of applying for Social Security disability benefits.

73. Walker located investor Shannon Budbill, who agreed to buy Gemar's house for $550,000.

74. On August 10, 2006, Gemar and Budbill executed a Contract.

75. Respondent used a Contract from a different transaction and did not redraft it for Gemar's transaction. The Contract listed Karl Hackett as the client/buyer, not Gemar.



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Respondent crossed out Karl Hackett and filled in Gemar's name. The Contract also identified Clayton Pate as the investor, not Budbill. Respondent did not correct the identity of the investor to reflect that the actual investor was Budbill.

76. The appraisal commissioned by Budbill's lender valued the property significantly lower than expected because of an error in the title of one of the two parcels that were the subject of the transaction.

77. In order to go forward with the deal and avoid a pending foreclosure by Gemar's lender, the parties agreed that Budbill would purchase one parcel. Once the title problem was cleared, Budbill would obtain a loan on both parcels.

78. RGS Legal acted as closing escrow agent for the Gemar/Budbill sale. At closing, Respondent received $16,500 as his fee/commission and $1,380 in escrow and related fees.

79. At closing, Walker Consulting Group, Inc., received $82,000. At closing, Gemar paid $110,136 in settlement costs, including commissions, title insurance, and taxes.

80. Gemar also paid the Bankruptcy Trustee $75,000 from the sale, which represented her equity in her property.

81. On December 28, 2006, Gemar borrowed an additional $20,025.40 from Paul Schmidt, an investor Walker had located. A condition of the loan was that it be secured by Gemar's real property. To secure the loan, Gemar executed a promissory note and deed of trust drafted by Respondent's paralegal, Walker.

82. Respondent was the trustee under the deed of trust.

83. Because Gemar no longer owned the property, the deed of trust was not effective to secure the loan. Walker knew that Gemar no longer owned the property and that the loan to Gemar was unsecured.



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84. Budbill was not able to obtain the loan on both parcels and Gemar was not able to make her payments to Budbill, and on September 26, 2007, Budbill began forfeiture proceedings against Gemar. On December 7, 2007, Respondent withdrew from representing Gemar.

**Dawson/Schmidt Transaction**

85. In February 2007, Todd and Kim Dawson hired Respondent to assist them in dealing with their deteriorating financial situation. The Dawsons owned three pieces of distressed real estate.

86. Respondent was attempting to negotiate a short sale on one of the Dawsons' properties and needed additional time to effectuate the sale. Walker approached Paul Schmidt about investing in one of the Dawsons' properties.

87. Schmidt agreed to provide short term financing, which would give the Dawsons additional time. Schmidt dealt exclusively with Walker on the transaction and not with Respondent.

88. Respondent did not represent Schmidt in the transaction.

89. On or about April 30, 2007, Schmidt entered into a contract with the Dawsons to buy an additional piece of property they owned located on Mercer Island.

90. On or about April 30, 2007, Schmidt delivered $20,000 to Respondent's office. Schmidt intended the $20,000 to be an earnest money deposit on the purchase of the Mercer Island property.

91. Walker told Respondent that the $20,000 was for payment of the legal fees for putting the transaction together. Respondent relied on Walker's statements concerning the nature of the funds.



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92. The $20,000 was deposited into Respondent's IOLTA account.

93. The parties understood that Schmidt would take immediate possession of the property and remodel the house. Schmidt began remodeling the house and invested approximately $70,000 in the house.

94. The transaction was scheduled to close on November 15, 2007.

95. By September 2007, Respondent had withdrawn all $20,000 from his IOLTA account as attorney fees for handling the transaction.

96. On July 13, 2007, Respondent filed a Chapter 13 Bankruptcy petition on behalf of Todd Dawson, and on October 9, 2007, Respondent terminated his representation of the Dawsons because the Dawsons failed to timely file documents as required by the bankruptcy court.

97. The deal with the Dawsons failed to close and Schmidt lost the $20,000 he had paid Respondent.

**Jordan Transaction**

98. Eborrah Jordan lived in a home owned by her brother. Jordan's brother passed away and Jordan inherited the home. Because of issues in the probate, the mortgage on the home went into default.

99. Jordan's other brother, Jayj Smalls, had previously retained Respondent to help him deal with his own financial difficulties and suggested Jordan consult with Respondent about the Program. Jordan also knew Walker, Respondent's paralegal.

100. Jordan met with Respondent and Walker to discuss the Program. Respondent told Jordan that the Program was a way for her to remain in possession of her home and lower her monthly payments. Respondent advised Jordan that his Program would enable her to keep



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her home while she worked to improve her financial situation.

101. Respondent did not adequately explain the risks inherent in the Program to Jordan such that she understood them.

102. Respondent informed Jordan that Walker had lined up an investor, Robin Wolcott, who would buy Jordan's house and secure a new loan.

103. Respondent explained to Jordan that during the term of the contract, she would remain in possession of the home and make monthly rent payments to Wolcott.

104. The monthly rent payments were to consist of the amount of Wolcott's monthly loan payment, additional cash flow to Wolcott, and taxes, insurance, home warranty, etc.

105. Respondent advised Jordan that she could then repurchase the house from Wolcott and split the equity with her.

106. Respondent did not explain the other aspects of the transaction, including what would happen if Jordan defaulted on her payments.

107. On January 12, 2007, Jordan entered into a Contract with Robin Wolcott.

108. The Contract was thirty pages long and contained numerous complex terms that Respondent did not explain to her. Jordan did not understand the complexities of the Program, and Respondent did not explain them to her in a way that she could understand.

109. The Contract contained terms that benefitted Wolcott more than Jordan. For example, the Contract provided for late fees of $150 per month and substantial penalties for prepayment of the contract.

110. The Contract further provided that Wolcott could obtain a Negative Amortization Adjustable Rate Mortgage (ARM), which is a high risk loan that does not build any equity.

111. The Exclusive Agency Agreement Jordan signed as part of the transaction

appointed Respondent as exclusive agent to receive offers and to sell Jordan's house and that Respondent would receive a fee/commission of $13,500.

112. Wolcott obtained a new loan on the house in her name based on the current value of the property, which was more than Jordan's previous mortgage balance.

113. The new loan paid off the existing mortgage and other encumbrances on the property and generated cash. The excess cash was then disbursed to Respondent, Walker, Wolcott and to pay closing costs.

114. At closing, $36,456 in costs and fees from the equity in Jordan's home were paid, including charges for title insurance, excise tax, etc. At closing, Respondent received a fee of $13,500 and $1,125 for handling the closing.

115. At closing, Walker Consulting Group, Inc., received $18,750 as a consulting fee. Jordan received no cash at closing.

116. Prior to entering into Respondent's Program, Jordan's loan payments had been $1,086 per month. Under the Program, Jordan's monthly payments to Wolcott were $2,644, an increase of approximately $1,600.

117. During the contract period, Jordan lost her job and was unable to make the monthly payments, and chose the option to sell her house to a third party.

118. Jordan was not able to sell her house. She lost her house and all of her equity in the property.

**Smalls Transaction**

119. Jayj Smalls lived with his brother in a second home owned by his brother. Smalls' brother died, and Smalls inherited the home and continued to live in the home.

120. Because of issues related to the probate of his brother's estate, the loan went into



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default and foreclosure was initiated on the home.

121. Smalls knew Walker, Respondent's paralegal. Walker suggested Smalls meet with Respondent about his financial situation, which he did.

122. Smalls decided to participate in the Program. Walker located an investor, Robin Wolcott, to buy Smalls' house.

123. Respondent advised Smalls that during the two year Contract period, Smalls would be rebuilding his credit so that he would be able to obtain a new loan. Respondent advised Smalls that when he repurchased the home, he would share in the equity with Wolcott.

124. Respondent did not explain the other aspects of the Program to Smalls in such a way that Smalls understood them. Respondent did not explain to Smalls what would happen if he defaulted on the payments to Wolcott, nor did he adequately explain the risks inherent in the Program to Smalls.

125. Respondent advised Smalls that his payments would be made to NoteWorld, the loan servicer, which would report his payments to credit reporting agencies and help him rebuild his credit.

126. On January 11, 2006, Smalls entered into a Contract with Wolcott. The Contract provided that Smalls sell his house to Wolcott with an option to repurchase the property in two years at Fair Market Value.

127. The Contract provided that the net proceeds from the sale (appreciation less expenses) would be split 60% to Wolcott, and 40% to Smalls if there had been no more than two late payments. The Contract provided that if a default occurred, Wolcott would receive 90% of the appreciation and Smalls 10%.

128. Under the Contract, Smalls' monthly payments to Wolcott were $2,225.85 and



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included $300 cash to Wolcott. Smalls' previous mortgage payments had been $1,425 per month. Under Respondent's Program, Smalls' payments were $800 more than his previous monthly mortgage payments.

129. Respondent should have known that Smalls could not make his mortgage payment of $1,425 per month and that he would have difficulty making the payments of $2,225.85 under the Program.

130. The Contract provided that the investor (Wolcott) could obtain a Negative Amortization Adjustable Rate Mortgage (ARM), which is a high risk loan and does not build equity. This provision favored Wolcott, not Smalls

131. The Contract provided for late fees of $150 per month and substantial penalties for prepayment of the contract. The Contract provided that in the event of default, Wolcott could file suit for forfeiture.

132. Wolcott procured a new loan on the house in her name based on the current value of the property, which was more than Smalls previous loan balance. The new loan paid off the existing mortgage and other encumbrances on the property and generated cash.

133. At closing, Smalls paid $37,862 in costs and fees from the equity in his home. At closing, Respondent received a fee of $10,000 and $1,680 for handling the closing.

134. At closing, Walker Consulting Group, Inc., received $16,350 as a consulting fee.

135. Smalls made the monthly payments to Note World as required by the Agreement.

136. In August 2007, Smalls received a letter from Respondent informing him that his payments should be made directly to Wolcott, not to Note World. Smalls informed Respondent that making his payments to Note World was critical to rebuilding his credit.

137. Wolcott began contacting Smalls directly about payments and other aspects of



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the Agreement and their relationship deteriorated.

138. In December 2008, Smalls discussed his options with Respondent. Smalls was not able to secure a new loan to repurchase the house. Respondent advised Smalls to move out of the house and that he would owe nothing more to Wolcott.

139. Smalls did not make his December 2008 payment and informed Wolcott that he was vacating the house.

140. Wolcott filed an action against Smalls in King County Superior Court, alleging Breach of Contract, Breach of Implied Covenant of Good Faith and Fair Dealing, and Unjust Enrichment. Smalls settled the lawsuit with Wolcott and the case was dismissed with prejudice. Smalls lost his house and all of his equity.

**Vrablik Transaction**

141. David and Jean Vrablik fell behind in their house payments as a result of illness.

142. Respondent filed a Chapter 13 Bankruptcy on behalf of the Vrabliks. Respondent advised the Vrabliks that participating in the Program was the only way to maintain possession of their home. The Vrabliks decided to participate in the program. Respondent did not adequately explain the risks inherent in the Program to the Vrabliks.

143. Lisa Walker found investors Dwaraka Krishna and Valli Addepalli to purchase the Vrablik home. The Vrabliks entered into a purchase sale agreement with the Addepallis. The Vrabliks received no money from the sale.

144. Respondent notified the Vrabliks that the Addepallis wanted out of the deal. Respondent found a new investor, Clayton Pate.

145. The Addepallis transferred title to the home to Mr. Pate, who entered into a new agreement with the Vrabliks.



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146. In June 2007, the Vrabliks received notice that Mr. Pate had defaulted on his loan, even though the Vrabliks were current on their payments to Mr. Pate. Respondent found another investor, Joel Atienza, who loaned Mr. Pate $60,000 to cure the delinquency on his loan.

147. The Vrabliks and Mr. Pate signed a document acknowledging that Mr. Atienza had a 50% interest in the proceeds of the repurchase by the Vrabliks.

148. In May 2008, the Vrabliks received notice of default on the Pate loan. When they sought to obtain financing to repurchase their home, they found that the total amount of encumbrances on the property exceeded the repurchase price in the contract with Mr. Pate. They were unable to repurchase their home.

## IV.
## STIPULATION TO MISCONDUCT

149. By practicing law as RGS Legal and having Lisa Walker, his paralegal and a non-lawyer serve as Vice President, Respondent violated RPC 5.4(d).

150. By not adequately explaining the Home Retention Program, including the risks inherent in the program, to Ferreira, the Hoppers, the Kirtlands, Gemar, Jordan, Smalls, and the Vrabliks, Respondent violated RPC 1.4(b).

151. By recommending to Ferreira, the Hoppers, the Kirtlands, Gemar, Jordan, Smalls, and the Vrabliks that the Home Retention Program was in their best interest when Respondent's representation was materially limited by his own interest in generating fees for himself and Walker, Respondent violated RPC 1.7(a)(2).

152. By failing to advise the Hoppers that Burklund had changed the contract by eliminating the credit due to them and by failing to advise them as to the consequences of that change and by failing to represent the Hoppers to the conclusion of their dealings with



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Burklund, Respondent violated RPC 1.3 and RPC 1.4.

153. By failing to supervise his paralegal Walker, Respondent violated RPC 5.3(b).

154. By failing to provide Gemar with a contract that contained the correct names and terms and otherwise failing to adequately represent Gemar in the transaction with Budbill, Respondent violated RPC 1.3.

155. By failing to provide an accounting to the Kirtlands, Respondent violated RPC 1.15A(e).

## V. PRIOR DISCIPLINE

156. Respondent has no prior discipline.

## VI. APPLICATION OF ABA STANDARDS

157. The American Bar Association Standards for Imposing Lawyer Sanctions (1991 ed. & Feb. 1992 Supp.) that apply to this case are attached hereto as Appendix A.

158. ABA Standard 4.4 applies to Respondent's violations of RPC 1.4(b).

Respondent acted knowingly in not adequately explaining the Home Retention Program and the risks inherent in the Program to Ferreria, the Hoppers, the Kirtlands, Gemar, Jordan, Smalls, and the Vrabliks so that they could make a informed decision about whether to participate in the Program. The Contract and the other documents the clients signed were voluminous and very complex. There was injury to his clients in that they did not understand the full effect of many of the Contract terms, nor did they understand the consequences of participating in the Program.

The presumptive sanction is suspension.

159. ABA Standard 4.4 applies to Respondent's violations of RPC 1.3 and RPC 1.4.

Respondent acted knowingly in failing to advise the Hoppers that Burklund had changed



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the contract by eliminating the credit due to them and by failing to advise the Hoppers about the consequences of that change. He also acted knowingly in failing to represent the Hoppers to the conclusion of their dealings with Burklund. Respondent also acted knowingly in failing to provide Gemar with a Contract containing the correct names of the parties.

There was injury to the Hoppers as the change that Burklund made to their Contract was material. The change meant that they would not receive the credit that they could use as a down payment when they obtained new financing to buy back their house from Burklund. There was also injury to the Hoppers as a result of Respondent's failure to represent them to the conclusion of their Contract with Burklund as they had to deal with Burklund directly, without the benefit of counsel. There was potential injury to Gemar in that the incorrect names in the Contract could have had an effect on her rights under the Contract.

The presumptive sanction is suspension.

160. ABA Standard 4.3 applies to Respondent's violations of RPC 1.7(a).

Respondent acted knowingly in representing clients and not fully disclosing to the client the possible effect of that client. Respondent's advice to his clients about the Program was tainted by his own interest in generating fees. There was injury to his clients as a result of Respondent's failure to advise his clients about the alternatives available to them. There was injury to Ferreira, in that she would have fared far better if Respondent had advised her to file a Chapter 7 Bankruptcy, as she would have received $40,000 instead of the $2,000 she received under the Program. There was injury to the clients who participated in the Program and paid substantial sums for closing costs.

The presumptive sanction is suspension.

161. ABA Standard 7.0 applies to Respondent's violation of RPC 5.4(d).



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Respondent acted knowingly in having Lisa Walker, a non-lawyer, serve as a corporate officer of RGS Legal, a Financial Legal Services Corporation, Respondent's law practice. There was injury to Respondent's clients as Walker was in a position to interfere with Respondent's professional judgment, and in at least one transaction, the Schmidt transaction, Walker actually interfered with Respondent's professional judgment.

The presumptive sanction is suspension.

162. ABA Standard 4.1 applies to Respondent's violations of RPC 1.15A(e).

Respondent acted knowingly in failing to provide the Kirtlands with an accounting when they requested one. There was injury to the Kirtlands as the records they had indicated they were entitled to more money than they received, but they were unable to resolve the issue without an accounting.

The presumptive sanction is suspension.

163. ABA Standard 7.2 applies to Respondent's violation of RPC 5.3.

Respondent acted knowingly in failing to supervise Walker. Respondent relied on Walker's statements to him about the purpose of the $20,000 that Schmidt had given him without confirming the accuracy of the statements. There was injury to Schmidt in that he was deprived of $20,000. Respondent also acted knowingly in relying on Walker's handling of the $20,000 Schmidt loan and failing to secure the loan with a valid trust deed. There was injury to Schmidt in that Respondent's actions impaired Schmidt's ability to recover his money.

The presumptive sanction is suspension.

164. The following aggravating factors apply under ABA Standards Section 9.22:

(b) dishonest or selfish motive;

(c) a pattern of misconduct;

(d) multiple offenses.



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165. The following mitigating factors apply under ABA Standards Section 9.32:

(a) absence of a prior disciplinary record;

(*l*) remorse.

166. Based on the factors set forth above, the presumptive sanction is suspension.

## VII. STIPULATED DISCIPLINE

167. Respondent stipulates to a three year suspension.

168. Reinstatement is conditioned on payment of costs and restitution.

## VIII. RESTITUTION

169. Respondent shall pay restitution to the following individuals in the following amounts:

| | |
|---|---|
| Susan and Bonnie Hopper | $22,800 |
| Robert and Maribeth Kirtland | $12,532 |
| Jenny Gemar | $13,500 |
| Paul Schmidt | $20,000 |
| Eborrah Jordan | $13,500 |
| Jayj Smalls | $10,000 |

170. Restitution is not appropriate for Allan Ferreira because she filed bankruptcy and her claim for restitution would be an asset of her bankruptcy estate.

171. Restitution amounts shall bear interest at the rate of 12% per annum from the effective date of Respondent's suspension.

172. Respondent's reinstatement is conditioned on payment of restitution as set forth above and payment to the Lawyer's Fund for Client Protection to the extent it pays the listed individuals.



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## IX. COSTS AND EXPENSES

173. Respondent shall pay attorney fees and administrative costs of $1,500 in accordance with ELC 13.9(i) and costs of $2,720.27. The Association will seek a money judgment under ELC 13.9(*l*) if these costs are not paid within 30 days of approval of this stipulation. Reinstatement from suspension is conditioned on payment of costs.

## X. VOLUNTARY AGREEMENT

174. Respondent states that prior to entering into this Stipulation he has consulted independent legal counsel regarding this Stipulation, that Respondent is entering into this Stipulation voluntarily, and that no promises or threats have been made by the Association, nor by any representative thereof, to induce the Respondent to enter into this Stipulation except as provided herein.

## XI. LIMITATIONS

175. This Stipulation is a compromise agreement intended to resolve this matter in accordance with the purposes of lawyer discipline while avoiding further proceedings and the expenditure of additional resources by the Respondent and the Association. Both the Respondent lawyer and the Association acknowledge that the result after further proceedings in this matter might differ from the result agreed to herein.

176. This Stipulation is not binding upon the Association or the Respondent as a statement of all existing facts relating to the professional conduct of the Respondent lawyer, and any additional existing facts may be proven in any subsequent disciplinary proceedings.

177. This Stipulation results from the consideration of various factors by both parties, including the benefits to both by promptly resolving this matter without the time and expense of hearings, Disciplinary Board appeals, and Supreme Court appeals or petitions for review. As



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such, approval of this Stipulation will not constitute precedent in determining the appropriate sanction to be imposed in other cases; but, if approved, this Stipulation will be admissible in subsequent proceedings against Respondent to the same extent as any other approved Stipulation.

178. Under Disciplinary Board policy, in addition to the Stipulation, the Disciplinary Board shall have available to it for consideration all documents that the parties agree to submit to the Disciplinary Board, and all public documents. Under ELC 3.1(b), all documents that form the record before the Board for its review become public information on approval of the Stipulation by the Board, unless disclosure is restricted by order or rule of law.

179. If this Stipulation is approved by the Disciplinary Board and Supreme Court, it will be followed by the disciplinary action agreed to in this Stipulation. All notices required in the Rules for Enforcement of Lawyer Conduct will be made.

180. If this Stipulation is not approved by the Disciplinary Board and Supreme Court, this Stipulation will have no force or effect, and neither it nor the fact of its execution will be admissible as evidence in the pending disciplinary proceeding, in any subsequent disciplinary proceeding, or in any civil or criminal action.

WHEREFORE the undersigned being fully advised, adopt and agree to this Stipulation to Discipline as set forth above.

Raymond G. Sandoval, Bar No. 33792
Respondent

Dated: Nov 12, 2013

William Cameron, Bar No. 5108
Counsel for Respondent

Dated: Nov. 14, 2013

Debra Slater, Bar No. 18346
Disciplinary Counsel

Dated: Nov. 19, 2013



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