

BEFORE THE HEARING BOARD  
OF THE ILLINOIS ATTORNEY REGISTRATION  
AND  
DISCIPLINARY COMMISSION

**FILED**

AUG - 7 2013

**ATTY REG & DISC COMM  
CHICAGO**

In the Matter of: )  
)  
PAUL LESLIE SHELTON )  
) Commission No. 2013 PR 00039  
Attorney-Respondent )  
)  
No. 6191197 )

FIRST AMENDED ANSWER

PAUL LESLIE SHELTON, pro se, on behalf of himself, pursuant to Supreme Court Rules.

COUNT I

1. Admit that John LaRocque and Respondent are friends and that their sons are still friends. Deny that Respondent told LaRocque that he was in the business of buying and selling HUD homes. Admit that Respondent and John LaRocque got involved together buying and selling HUD properties in or about 2004. Admit that LaRocque agreed to invest.
2. Admit that JP Foundation LLC was formed with Respondent and LaRocque as members. Admit that LaRocque provided funding, but deny that the amounts are correct.
3. Admit that approximately 11 transactions occurred. Admit that LaRocque did not wish to have ownership of properties but admit that for most properties he wanted a mortgage interest. Admit what LaRocque believed. Admit what LaRocque believed.
4. Admit that Respondent had certain duties owed to LaRocque, but deny that the duties set forth are correct and state that LaRocque was a very experienced businessman who was well versed in real estate transactions, even more so than Respondent.
5. Deny that LaRocque lent to Respondent any monies for the HUD and real estate purchases, but agree that LaRocque invested \$385,000 less his commission of \$38,500 cash to fund the purchase of the property on Warren. Admit Henry Tate was the investor

who owned the property and admit that LaRocque received a mortgage on the loan.  
Admit that respondent prepared the mortgage on the property.

6. Admit that a release was prepared on the property and deny that LaRocque's signature was not his signature. Respondent states that LaRocque agreed to allow the refinance of the property and the funds were used to rehab the property and two or three other properties (which LaRocque held a mortgage upon) that were subsequently sold and to which LaRocque received proceeds. Admit that Respondent notarized LaRocque's signature and said action occurred in LaRocque's home office.
7. Deny. LaRocque signed the document and as set forth in 6, received proceeds and further monies on two or three other properties.
8. Deny, as set forth in 6 and 7 above.
9. Admit statement of notarial duties.
10. Deny that notarization happened as set forth.
11. Admit.
12. Deny that LaRocque contacted Respondent and informed him of the information in this paragraph.
13. Deny as stated. The lien that was given to LaRocque was for the losses incurred in the 3 or 4 remaining properties that LaRocque was involved, including Warren, 50<sup>th</sup> Street, 52<sup>nd</sup> Street and Bishop street. (See attached) There was an agreement that LaRocque would lien the respondent's home, but also LaRocque told Respondent that if he could get him \$100,000 on a refinance right away, he would release the \$265,000 lien. Respondent attempted the refinance, but the mortgage and loan business had changed. Respondent began making payments. There was a settlement as to the losses incurred and how much the two believed LaRocque had lost, based upon how much profit he had previously made, etc.
14. Deny that the statement in this paragraph accurately states all the terms of the note and mortgage was recorded on the Respondent's home. Deny the documents were sent to John LaRocque. Deny that Respondent told John LaRocque to not record the documents; Admit the mortgage was recorded.
15. Admit that Respondent did not disclose all elements of his "financial condition."; but deny that he did not discuss his employment as a condition of his ability to pay.

16. Respondent did inform LaRocque from the very outset that there could be a conflict as he was an attorney, and LaRocque said that he would use his brother and his vast real estate investment knowledge to protect his interests. Respondent often spoke to Michael Larocque regarding these real estate transactions.
17. Deny that Respondent did not advise LaRocque to seek independent attorney review.
18. Admit payments were made; Admit that a default notice was received; Deny that Respondent did not respond to LaRocque.
19. Deny all liability for the reasons set forth in answer.

### **AFFIRMATIVE DEFENSE**

1A. I still consider John LaRocque my friend. I have performed many legal duties for him; I know him very well and have had many conversations with him; LaRocque is well versed and experienced in real estate investing. He was paid a great sum of money on the first 10 or so real estate transactions. He was doing so well, he asked the Respondent to acquire more properties, meaning he was okay with holding more than two property mortgages at a time. When the market began to drop, three or four of the properties were rehabbed, then ravaged and had to be rehabbed again, at a substantial cost. The profits were not there, and Respondent took responsibility to his friend/investor for the losses and gave him a lien on his home. Respondent could have told LaRocque that that is the way investments go, but Respondent did not operate that way and felt an obligation to take the loss as he had a great friendship with LaRocque. (as do his kids with each other.) Respondent learned later that LaRocque's partner was involved in the later acquisition properties and he (the partner) was not inclined to let Respondent off the hook in any way.

### **COUNT II**

20. See above response to par. 1 to 18.
21. Can neither admit nor deny and demands strict proof thereof.
22. Can neither admit nor deny and demands strict proof thereof.
23. Admit.

24. Admit.
25. Can neither admit nor deny, as the documents speak for themselves.
26. Admit.
27. Admit.
28. Admit Motion filed; deny that notice was not served on LaRocque.
29. Admit.
30. Admit as to service, but deny that Poli was not served.
31. Deny.
32. Admit.
33. Deny.
34. Admit.
35. Admit that Poli and Fortunato appeared on October 18. Can neither admit nor deny what Poli and Fortunato advised the court; admit that an Order was entered on Oct 17.
36. Admit sentence 2, but deny that appeal was ripe.
37. Deny.

#### AFFIRMATIVE DEFENSES

1A. This Count involves finding liability for non-payment of a mortgage note, which is being litigated civilly in Respondent's foreclosure action. Respondent has sent the attached payment to LaRocque which was accepted under UCC 3 and never rejected. Said payment has never been dishonored by the United States Treasury. NOTE: Under the U.C.C. Article 3 – Negotiable Instruments, "(a) **Negotiation**" means a transfer of possession, whether voluntary or involuntary, of an instrument by a person other than the issuer to a person who thereby becomes its holder." Such negotiation occurred herein, and is validated by Notary presentment and acknowledgment. Under the U.C.C. Article 3 – 202 Negotiable Instruments Subject to Rescission "(a) Negotiation is effective even if obtained (i) from an infant, a corporation exceeding its powers, or a person without capacity, (ii) by fraud, duress, or mistake, or (iii) in breach of duty or as part of an illegal transaction." In this case, negotiation was obtained via receipt by the CFO of the Plaintiff. There is no evidence of fraud, duress or other illegal negotiation. Under the U.C.C. Article 3 – 3-310. Effect of Instrument on Obligation for which taken "*In the case of a note, suspension of the obligation continues **until dishonor** of the note or until it is paid. Payment of the note results in discharge of the obligation to the extent of the payment.*"

1B. In this matter, the note was accepted, and suspension of the obligation occurs. There was no dishonor, in fact there was acceptance under the UCC. LaRocque had the right and duty to further negotiate the BOE. LaRocque is well versed in such negotiable instruments and was well aware of the procedures required to secure and receive payment. At no point is there an indication that the note was *dishonored* and therefore the debt was discharged.

1C. No false affidavits, notices or otherwise were ever given to a tribunal. The attorney for LaRocque threatened and then filed an ARDC charge against respondent as a ploy to create leverage in the foreclosure case and with the Du Page County circuit court judge (Judge Terence Sheen) and it worked well. He made it well clear that he was a member of the ARDC board with the judge in chambers, from the outset. Respondent presented a Motion to Substitute the judge for cause, noting that his Oath of Office was to uphold the United states Constitution, and Judge Sheen has started to make a few rulings for the Respondent, including allowing respondent to file his Motion to vacate the Judgment and Amendment to the Answer (in the foreclosure case).

### COUNT III

38. Admit.

39. Deny that at all times alleged in this count of the complaint, i.e. "all times prior to September 27, 2011" and "on or before Feb. 22, 2006" and "between approximately September 2005 and through April 2006" and "on January 3, 2011" , that Respondet held a fifty percent ownership in Trust One Mortgage Cororation. Deny the remainder of paragraph.

40. Admit.

41. Admit.

42. Admit a statute is presented.

43. Admit only that Respondent knew Peter Blythe.

44. Deny.

45. Deny that Respondent ordered title on each of Blythe's transactions; deny that Respondent received said amount listed.

46. Admit that Shelton & associates, LLC was the broker.

47. Admit Trust One acted as a broker, but can neither admit or deny receipt of commissions and demands strict proof thereof.
48. Deny that Respondent received that total amount.
49. Deny.
50. Deny.
51. Deny.
52. Deny.
53. Deny.
54. Deny.
55. Admit.
56. Admit amended complaint filed; Deny respondent did not file an answer or responsive pleading; admit that respondent did not attend a "hearing" on March 22, 2011.
57. Admit.
58. Deny.

#### AFFIRMATIVE DEFENSE

1A. Peter Blythe was a friend of Respondent, not well versed in real estate transactions, but knowledgeable in other investments and mortgages. Blythe was well aware of all that Respondent was (broker, attorney, Stewart title agent) and was always aware of any conflict of interest with respect to any investment deals. He had his own attorney in Hinsdale, dealing with his investments. The properties at 5126 and 5326 S Justine involved claims by the real estate board that respondent acted as a broker and lawyer in the transaction. Respondent did file a response to the first complaint, then the complaint was amended and respondent filed another answer. Without knowledge of Respondent a judgment was entered, and respondent decided that he would allow his real estate license to be taken, although it seemed to be a very strong action based upon the charges. Respondent was unaware of a fine charged and has never been contacted to pay a fine.

1B. Respondent is not aware of Peter Blythe's claim versus Respondent and has never had a chance to respond to such.

#### COUNT IV

59. Admit ARDC received a request. Admit ARDC started to investigate.
60. Can neither admit nor deny actions of ARDC Administrator; Respondent is unaware of receipt of the requests. Admit that respondent did not respond within 14 days of when it is alleged receipt occurred.
61. Can neither admit nor deny actions of ARDC Administrator; Respondent is unaware of receipt of the letter; Admit that respondent did not respond.
62. Can neither admit nor deny actions of ARDC Administrator; Respondent is unaware of receipt of the letter.
63. Admit that respondent sent a written response to the 2011 IN 5506; Admit respondent did not appear on Feb 29, 2012.; deny that he did not produce any documents.
64. Admit a case was filed; deny that he had not produced documents; admit that he had not communicated with the Administrator about sworn statement; admit that no excuse or waiver was given by Administrator.
65. Deny.

#### AFFIRMATIVE DEFENSES

- 1A. Respondent has been unable to locate a copy of the records or subpoena sent to Respondent and was unaware that he was to appear for a deposition. Respondent has always appeared for depositions requested by ARDC in the past.
- 1B. Respondent was involved in a matter in 2005 regarding a woman named Lessie Townes. He was sued civilly in a foreclosure action, as well as other defendants including Dave Offett, Elizabeth Amato, Trust One Mortgage, Peter Blythe and the Shelton Law Group, LLC. Respondent believes that the ARDC complaint filed by Townes or related persons was

dismissed. The matter was essentially tried in the media, and Respondent's reputation took a great hit. Respondent had faithfully and diligently practiced law for over 22 years and most of the complaints occurred due to his association with former mortgage person Elizabeth Amato (mortgage broker); Respondent was the only one who showed up to face the civil case, and attorney Craig Capilla although not an attorney for anyone involved, appeared at all court hearings. Respondent and Lessie Townes eventually agreed to settle the matter. As a result, Respondent, who never originated a loan, had his license to originate a loan removed by the IDFPR; they then sought to have the real estate license removed. No liability was found against anyone in the civil case. Craig Capilla told respondent in court several times that he had many ways to go after respondent and take his licenses, and in fact after the matter was settled, he filed the ARDC charge. This became personal, as all of the matters brought up were very remote in time. Respondent focused on his law practice and allowed any other licenses to be taken, or go dormant.

#### COUNT V

66. Admit.

67. Admit as to the statement of a rule.

68. Admit that this is an action Administrator may be required to do.

69. Admit.

70. Deny. Respondent believed that he was authorized to practice law in the state on that date.

71. Deny. Respondent believed that he was authorized to practice law in the state of Illinois on said date.

72. Can neither admit nor deny, but demands strict proof thereof.

73. Can neither admit nor deny, and Respondent is searching for any documents on these files, all seven years ago.

74. Can neither admit nor deny, and Respondent is searching for any documents on this file which was 7 years ago.

75. Based on memory only, Respondent denies that he represented John LaRocque on the Warren property.

76. Respondent never told these parties that he was not licensed, but respondent believed that he was licensed to practice law in 2006.

77. Deny.

#### AFFIRMATIVE DEFENSE

1A. Respondent has been a licensed Illinois attorney since 1985. He was not intentionally practicing law without a license on any occasions, if any, where he failed to pay his ARDC dues and then “represented” someone in a real estate action when his dues were not paid.

1B. Respondent believed that he was up to date on his payment for dues and never intentionally, if ever, practiced law without paying his dues.

#### COUNT VI

78. Admit.

79. Admit that most clients entered into an agreement. Respondent may have represented some on an oral basis, or pro bono.

80. Admit that the contract with clients stated essentially this language.

81. Admit that some of the agreements required a monthly payment for legal services.

82. Admit an amount was collected, but deny that services were never performed. Upon receipt of any file, work began immediately to prepare and strategize a defense. The initial interview was not free for many of the clients also.

83. Admit that some clients paid what they believed were upfront costs for entire litigation defense.

84. Deny that at all times alleged in the complaint that Respondent deposited the monthly fees and costs paid into the -3173 CharterOne account.

85. Deny these amounts based upon the records that Respondent currently has in his possession; computers are still not available to respondent to verify all amounts.

86. Deny. A foreclosure defense attorney attempts to “delay” the situation for the client because each month that they are allowed to stay away from being kicked out of their home is a savings of money for moving and rental of an apartment. Respondent gave his

cell phone number to most of his clients and always responded to texts asking for a call in the client's cases.

87. Deny. There are certain strategies that are employed for each client. Respondent has always acted with the best interest of the client in keeping them in their home as long as possible. Although respondent does not perform modification duties as part of legal services, Respondent has always assisted clients with modification papers if the client may qualify.
88. Deny the statement of Respondents's practice is accurate as stated "delay and neglect," deny that Respondent or anyone acting in his direction drafted "notices of service of discovery pleadings and motions in which" Respondent "falsely stated that service of same was purportedly served on opposing counsel." Deny "Respondent then forwarded copies of these documents to the Cook County Sheriff's Office in an effort to forestall the clients' eviction from the property."
89. Deny that all clients have requested a refund, and are searching for letters and full files for each of these clients.
90. Deny. Respondent is an expert in foreclosure defense and has been keeping clients in their homes as long as possible for 4 and ½ years learning many strategies to help clients get leverage to obtain a modification or better deal than they have at the time they meet Respondent.
91. Admit.
92. Deny.

#### AFFIRMATIVE DEFENSE

1A. RESPONDENT has employed two marketing people as independent contractors in the past, Amy Lundeen and Mark Laskowski. Additionally, Respondent employed two independent contractors as "paralegal/secretaries" in the past, Liza Oliva and Mary-Claire Lothers. Each of these persons was well aware of the poor publicity Respondent received regarding the civil matter involving Lessie Townes. Though that matter has settled, Respondent has always been concerned with keeping clients happy and the ARDC problems. On information and belief, each of the persons that have filed a charge against Respondent

was asked by the above named individuals to file charges against Respondent. Amy Lundeen also handled Shelton Law Group LLC accounts and books and ended up stealing from Respondent. Liza Oliva and Mary-Claire Lothers were not contracted with any further because they both stop performing the limited duties asked of them and it is believed they also stole from Respondent. The husband for Amy Lundeen threatened respondent with bodily harm at one point; Mary-Claire Lothers stated that she had taken down other attorneys and would take Respondent down. Liza Oliva left on bad terms and threatened to take Respondent down also, relying on respondents' concern for bad publicity from previously. Mark Laskowski initially marketed (radio, flyers, etc.) for Shelton Law Group, LLC, then left and came back, Respondent severed ties with him due to a difference in philosophy and Laskowski began calling Respondent's clients telling them to leave Respondent. Needless to say, Respondent has always performed his legal work for the clients, but has not always hired diligent, honest persons.

1B. There is a pattern of who has filed charges against Respondent. Respondent represented Amy Lundeen and the husband that threatened him on a pro bono basis. It is a Countrywide loan. Respondent is now filing claims for damages in federal court and Amy Lundeen had been pushing Respondent to do so. Several of the persons who filed charges are Countrywide persons, and would be a part of the Federal action. NOTE: Nunez, Bingham and Gorsline had nothing wrong going on with their cases as of January 2013 as far as respondent could tell and they were asked for a monthly payment and they filed a complaint. Paschal and Espinosa are Countrywide cases and are prepared for the federal lawsuit. Krasne is a very old case and Respondent was not aware of representation after 2012 or so. Chambers and Grice are cases that were targeted for initial federal court actions, although Chambers only paid for 1 month. Neither of those parties would have been kicked from their house prior to January 2013. Only Petridis, who is a good friend of Amy linden, apparently has lost her home. But respondent represented them diligently and defended the foreclosure action for over two years.

1C. The job of a foreclosure defense attorney is to assist the client to get in a better situation than they are when they come to the attorney. Most of the clients do not have enough money to pay a high mortgage payment (principal and interest) and real estate taxes and insurance.

The attorneys fee is low in comparison to rent for a home. It is charged monthly rather than an intial high retainer so the client can afford to have an attorney represente them. In state court, without representation, the sheriff will show up to evict in 12 months in Cook County, and in less time in other counties. With a lawyer, it is 1 ½ to 3 years or more. Respondent is now filing federal claims and that is allowing clients to seek money damages that are rarely, if ever awarded in state court. Also, there is better leverage in federal court because you are allowed a jury demand unlike state court.

#### COUNT VII

93. Admit.

94. Admit.

95. Can neither admit nor deny.

96. Deny Respondent believes that records were sent on Nunez. Respondent has been unable to locate the entire Nunez file after the search warrant was issued, but is searching for the file and letters and will respond and supplement the answer

97. Admit.

98. Deny.

#### AFFIRMATIVE DEFENSE

1A. respondent has always in the past responded to the Administrators requests. There were no misrepresentations or intentional non-responses committed by respondent.

#### COUNT VIII

99. Admit.

100. Admit.

101. Admit.

102. Admit.

103. Deny.

104. Can neither admit nor deny.

105. Admit.

106. Admit.

107. Deny.

1A. respondent has always in the past responded to the Administrators requests. There were no misrepresentations or intentional non-responses committed by respondent

### GENERAL AFFIRMATIVE DEFENSES

Someone once said that “where there is smoke, there is fire”. In this situation, Respondent believes the fire started with a single incident related to his defending foreclosures. Though there is an eight count complaint filed against Respondent, each complaint has a valid defense. Additionally, Respondent is a very experienced and knowledgeable foreclosure defense attorney. His own home has been forced wrongfully into foreclosure. As a result of several filings in his foreclosure case, Respondent has been investigated by the Deputy Sheriff’s of Du Page County, by the Du Page County States’ attorney, and several of Respondents’ clients have been approached by the attorney general. In his domestic relations matter he has been harassed by his ex-wife’s attorney on several occasions. Respondent has filed two Title 42 USC 1983 actions and has two more that are prepared to be filed against state agencies, involving unlawful arrests and searches. The ARDC then filed its charges shortly thereafter. Unfortunately computers were taken and documents were tampered with and files removed unlawfully. Respondent had to close his office quickly and is just now back trying to make a living. He supports a wife and 5 children. Respondent believes that the charges as a whole are not disciplinary actions in nature.

WHEREFORE, PAUL LESLIE SHELTON, pro se, respectfully requests that this Complaint be dismissed.



105. Admit.

106. Admit.

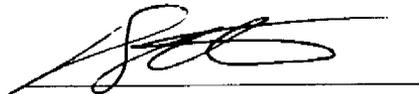
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