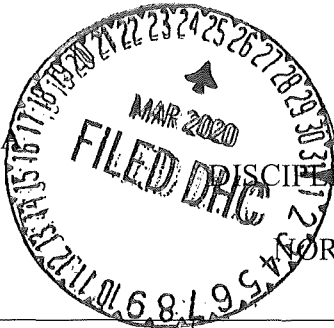


STATE OF NORTH CAROLINA
WAKE COUNTY



BEFORE THE
DISCIPLINARY HEARING COMMISSION
OF THE
NORTH CAROLINA STATE BAR
19 DHC 20

THE NORTH CAROLINA STATE BAR,
Plaintiff

v.

LOUIS F. WOODRUFF, Attorney,
Defendant

CONSENT ORDER
OF
DISCIPLINE

This matter was considered by a Hearing Panel of the Disciplinary Hearing Commission composed of Fred W. DeVore, III, Chair, and members, Margaret M. Hunt and Ronald C. Brinson, pursuant to North Carolina Administrative Code, Title 27, Chapter 1, Subchapter B, § .0115(i). Plaintiff was represented by Margaret T. Cloutier and Alex G. Nicely. Defendant, Louis F. Woodruff, appeared *pro se*. Defendant waives a formal hearing in this matter. The parties stipulate and agree to the findings of fact and conclusions of law recited in this Order, and consent to the discipline imposed by this Order. By consenting to the entry of this Order, Defendant knowingly, freely, and voluntarily waives his right to appeal this Consent Order or to challenge in any way the sufficiency of the findings and conclusions herein.

Based upon the pleadings in this matter, the parties' stipulations of fact, facts developed during the pending litigation, and with the consent of the parties, the Hearing Panel hereby finds by clear, cogent, and convincing evidence the following:

Findings of Fact

1. Plaintiff, the North Carolina State Bar ("State Bar"), is a body duly organized under the laws of North Carolina and is the proper party to bring this proceeding under the authority granted it in Chapter 84 of the General Statutes of North Carolina, and the Rules and Regulations of the North Carolina State Bar (Chapter 1 of Title 27 of the North Carolina Administrative Code).
2. Defendant, Louis F. Woodruff, was admitted to the North Carolina State Bar on December 12, 1986 and is, and was at all times referred to herein, an attorney at law licensed to practice in North Carolina, subject to the laws of the State of North Carolina, the Rules and Regulations of the North Carolina State Bar and the Rules of Professional Conduct.
3. During all or part of the relevant periods referred to herein, Defendant was engaged in the practice of law in the State of North Carolina and maintained a law office in Raleigh, Wake County, North Carolina.
4. Defendant was properly served with process and the matter came before the Hearing Panel with due notice to all parties.

5. Defendant maintained a general attorney trust account, RBC Bank account ending in 2361. In March 2012, RBC Bank changed ownership to PNC Bank. The RBC Bank account ending in 2361 became PNC Bank account ending in 4564 (hereinafter collectively referred to as the "trust account").

6. Between 2009 and 2015, Defendant employed a nonlawyer office manager for his law practice.

7. Defendant had managerial and direct supervisory authority over the office manager during her employment with his law firm.

8. Defendant delegated to the office manager several of his trust account management responsibilities, including disbursing client funds from the trust account, monitoring the law firm's handling of entrusted funds, conducting monthly and quarterly reconciliations of the trust account, and maintaining client ledgers and trust account records.

9. Defendant gave the office manager access to the trust account and the trust account checkbook.

10. Defendant also gave the office manager online access to the trust account and granted her the authority to electronically transfer funds from the trust account.

11. Defendant failed to adequately supervise the office manager and failed to review the office manager's disbursements of entrusted client funds.

12. Defendant failed to review and maintain necessary trust account records, failed to properly monitor the trust account and failed to reconcile the trust account.

13. Between 2009 and 2015, the office manager embezzled over \$53,000.00 of entrusted client funds from the trust account.

14. Due to Defendant's lack of supervision and failure to properly monitor the trust account, the office manager's embezzlement went undetected for several years.

15. Defendant was aware of the office manager's embezzlement in February 2015, having stated in a civil court pleading filed on February 23, 2015 that the office manager "has embezzled from the business of [Defendant], jeopardizing his business, career, and professional license."

16. Despite having knowledge of the embezzlement since February 2015, Defendant did not report the embezzlement to the State Bar until October 12, 2015.

17. The State Bar subsequently performed an investigative audit on Defendant's trust account.

18. The investigative audit revealed the following deficiencies in Defendant's trust account management:

- a. Failure to list the name of the client and the source of funds on trust account deposit slips;
- b. Failure to list the name of the client on electronic transfers from the trust account;
- c. Failure to conduct monthly and quarterly reconciliations of the trust account;
- d. Failure to maintain client ledgers for all clients with funds in the trust account; and
- e. Disbursing funds from the trust account on behalf of clients for whom Defendant did not maintain in the trust account sufficient funds for such disbursements, resulting in negative client balances.

Based upon the foregoing Findings of Fact and with the consent of the parties, the Hearing Panel makes the following:

Conclusions of Law

1. All parties are properly before the Hearing Panel and the DHC has jurisdiction over Defendant, Louis F. Woodruff, and over the subject matter of this proceeding.
2. Defendant's conduct, as set out in the stipulated Findings of Fact above, constitutes grounds for discipline pursuant to N.C. Gen. Stat. § 84-28(b)(2) in that Defendant violated the Rules of Professional Conduct as follows:
 - a) By failing to review his nonlawyer office manager's handling and record-keeping of entrusted funds, thereby enabling his nonlawyer office manager to embezzle entrusted client funds for several years, Defendant failed to supervise his nonlawyer office manager to the extent necessary to ensure that her conduct was compatible with Defendant's professional obligations in violation of Rule 5.3(b);
 - b) By waiting more than seven months to report the office manager's embezzlement to the State Bar, Defendant failed to promptly inform the State Bar of his discovery or reasonable belief that entrusted property had been misappropriated or misapplied in violation of 1.15-2(o)¹;
 - c) By failing to list the name of the client and the source of funds on trust account deposit slips, Defendant failed to properly maintain entrusted funds in violation of Rule 1.15-2(a) and failed to maintain minimum records required for a general trust account in violation of Rule 1.15-3(b);
 - d) By failing to list the name of the client on electronic transfers from the trust account, Defendant failed to properly maintain entrusted funds in violation of Rule 1.15-2(a), failed to maintain minimum records required

¹ Now codified as Rule 1.15-2(p).

for a general trust account in violation of Rule 1.15-3(b) and failed to indicate on items payable to the lawyer the client balance from which the items were drawn in violation of Rule 1.15-2(h);

- e) By failing to reconcile the trust account on a monthly and quarterly basis, Defendant failed to conduct monthly reconciliations of the trust account in violation of Rule 1.15-3(d)(2) and failed to conduct quarterly reconciliations of the trust account in violation of Rule 1.15-3(d)(1);
- f) By failing to maintain client ledgers for all clients with funds in the trust account, Defendant failed to maintain the minimum records required for general trust accounts in violation of Rule 1.15-3(b); and
- g) By disbursing funds from the trust account on behalf of clients for whom Defendant did not maintain in the trust account sufficient funds for such disbursements, Defendant failed to properly maintain entrusted funds in violation of Rule 1.15-2(a) and used entrusted property for the personal benefit of persons other than the legal or beneficial owners of that property in violation of Rule 1.15-2(j)².

Based upon the consent of the parties, the Hearing Panel also finds by clear, cogent, and convincing evidence the following:

Additional Findings of Fact Regarding Discipline

1. The findings of fact and conclusions of law above are reincorporated as if set forth herein.
2. Defendant was licensed in North Carolina in 1986 and has substantial experience in the practice of law.
3. A cornerstone of client trust in an attorney is that the attorney will properly protect, maintain, and disburse entrusted funds. Failure to do so erodes the confidence clients place in attorneys who handle their affairs and harms the profession.
4. The trust account record-keeping, review, and reconciliation requirements of the Rules of Professional Conduct are designed to assist with the proper protection, maintenance, and disbursement of entrusted funds, and to facilitate prompt detection and correction of any errors. Defendant's failure to comply with these requirements as set out above, including the failure to detect and promptly correct the deficiency caused by his employee's theft, caused significant harm to the clients whose funds were stolen and created the potential for significant harm to Defendant's clients and the public.
5. All of the client funds deposited into Defendant's trust account related to personal injury settlements for those clients. The funds embezzled by his nonlawyer office manager represented the portion of settlement funds that Defendant was holding in trust to pay to the

² Now codified as Rule 1.15-2(k).

client's medical care providers or lienholders. By failing to sufficiently supervise his nonlawyer office manager, Defendant caused significant harm to the clients and to third party medical providers by failing to maintain and timely pay the medical bills owed to the providers by the clients.

6. Defendant has made significant efforts to identify the missing funds and to whom payment should be made. Defendant is currently making arrangements to fully reimburse the trust account and to properly disburse all entrusted client funds.

7. Defendant has taken corrective action by implementing practices for supervision of staff and review of trust account reconciliations.

8. Defendant has no prior disciplinary record.

9. Defendant acknowledges that his prior practices with his trust account have not been in compliance with the Rules of Professional Conduct, is remorseful, and has made efforts to come into compliance with the Rules.

Conclusions Regarding Discipline

1. The Hearing Panel has considered all of the factors enumerated in 27 N.C. Admin. Code 1B.0116(f)(1) of the Discipline and Disability Rules of the North Carolina State Bar and concludes that the following factors that warrant suspension or disbarment are present:

- a) Intent of the Defendant to commit acts where the harm or potential harm is foreseeable;
- b) Negative impact of Defendant's actions on the client's or public's perception of the profession; and
- c) Effect of defendant's conduct on third parties.

2. The Hearing Panel has considered all of the factors enumerated in 27 N.C. Admin. Code 1B.0116(f)(2) of the Discipline and Disability Rules of the North Carolina State Bar and concludes that no factors are present in this matter that would warrant disbarment.

3. The Hearing Panel has considered all of the factors enumerated in 27 N.C. Admin. Code 1B.0116(f)(3) of the Discipline and Disability Rules of the North Carolina State Bar and concludes the following factors are applicable in this matter:

- a) Absence of prior disciplinary offenses;
- b) Multiple offenses;
- c) Full and free disclosure to the Hearing Panel and cooperative attitude toward the proceedings;
- d) Good reputation in the community; and

e) Experience in the practice of law.

4. The Hearing Panel has considered issuing an admonition, reprimand or censure but concludes that such discipline would not be sufficient. The Hearing Panel concludes that such discipline would fail to acknowledge the seriousness of the violations committed by Defendant and would send the wrong message to attorneys and the public regarding the conduct expected of members of the Bar in this State.

5. The Hearing Panel has considered all alternatives and concludes that a stayed suspension with conditions is appropriate in this case, in light of the significant harm and potential harm caused by Defendant's conduct to his clients and the profession. A stayed suspension with conditions designed to ensure all necessary corrections are made to achieve and maintain full compliance with the trust account record-keeping, review, and reconciliation requirements of the Rules of Professional Conduct is necessary to protect Defendant's clients and the public.

Based upon the foregoing Findings of Fact, Conclusions of Law, Additional Findings of Fact Regarding Discipline and Conclusions Regarding Discipline, and based upon the consent of the parties, the Hearing Panel enters the following:

Order of Discipline

1. Defendant, Louis F. Woodruff, is hereby suspended from the practice of law for two years, effective thirty days from service of this Order upon Defendant.

2. Defendant is taxed with the costs and administrative fees of this action as assessed by the Secretary. Defendant shall pay the costs and administrative fees within thirty days of service of the statement of costs and administrative fees upon him.

3. The two-year suspension is stayed for a period of two years as long as Defendant complies, and continues to comply, with the following conditions:

- a) Within 30 days of the entry of this Order, Defendant will provide to the Office of Counsel for review and approval a disbursement plan for trust account ending in 4564. The disbursement plan must identify the beneficial owners of the funds in the trust account and identify the beneficial owners of any funds that were not properly maintained in the trust account. The disbursement plan must establish whether the balance in the account is sufficient to cover all client funds Defendant should be holding in trust. The disbursement plan must include the name, address, telephone number, and email address of all beneficial owners, the client's name if the beneficial owner is a third party, and the amount owed;
- b) Within 60 days of the effective date of this Order, Defendant shall deposit his own funds in the trust account ending in 4564 to replenish any deficit in the account;

- c) Within 75 days of the effective date of this Order, Defendant shall disburse all funds in the trust account ending in 4564 in accordance with the disbursement plan and provide proof of the disbursements to the Office of Counsel;
- d) Within 75 days of the effective date of this Order, Defendant shall ensure that every client identified in the disbursement plan as a client for whom funds were not properly maintained or disbursed has been contacted and provided the following information in writing: (1) an explanation that entrusted funds were received for the client but not properly maintained and/or disbursed for the client; and (2) an accounting listing all funds received, any attorney fee, any advanced costs due to Defendant, all funds disbursed on behalf of the client, any amounts that should have been disbursed to medical providers or other third parties, and the remaining balance due, if any, to the client. Defendant shall provide the Office of Counsel with documentation of compliance with this requirement, including copies of the ledgers and accountings, by the end of this 75-day period;
- e) Each month Defendant shall provide the Office of Counsel with an accurate three-way reconciliation as described in the State Bar Lawyer's Trust Account Handbook for all trust accounts maintained by Defendant. Defendant shall provide the Office of Counsel with: (1) client ledgers for all clients whose funds are held in the trust account(s) during that month; (2) a ledger for any personal funds maintained in the trust account(s), including funds maintained to pay bank and credit card fees; (3) a general ledger for the trust account(s) as described in the State Bar Lawyer's Trust Account Handbook; and (4) all trust account bank statements, cancelled checks and deposit slips for each month. These reconciliation reports and associated documentation are due on the 15th day of each month for the preceding month;
- f) If the three-way monthly reconciliation reports referenced above reveal any irregularities or deficiencies, Defendant shall take all remedial action necessary to bring the trust account(s) into compliance with the Rules of Professional Conduct and shall provide proof of the remedial action and compliance to the Office of Counsel of the State Bar within 15 days of the date of the reconciliation report;
- g) Defendant shall comply with any requests from the Office of Counsel to provide any information regarding his trust account(s) or to sign and provide any release or authorization to allow the Office of Counsel to obtain information directly from any bank at which Defendant maintains a trust account, by the deadline stated in the request;
- h) Defendant shall keep the North Carolina State Bar Membership Department advised of Defendant's current physical business address, telephone number and e-mail address, and shall notify the Bar of any change within ten days of such change;

- i) Defendant shall promptly accept service of all certified mail that is sent to him from the State Bar and shall respond to all communications from the State Bar, including communications from the Attorney Client Assistance Program, within 30 days of receipt or by the deadline stated in the communication, whichever is sooner, and shall participate in good faith in the State Bar's fee dispute resolution process for any petition of which he receives notice after the effective date of this Order;
- j) Defendant shall timely comply with all State Bar Membership and Continuing Legal Education requirements; and
- k) Defendant shall not violate the Rules of Professional Conduct, the laws of the United States or the laws of any state or local government during the stay.

4. Unless Defendant's obligations under this Order are modified by further order of the DHC, Defendant's obligations under this Order end two years from the effective date of the Order provided there are at that time no pending motions and no pending show cause proceedings alleging lack of compliance with the conditions of the stay of the suspension. If a motion or show cause proceeding alleging lack of compliance with the conditions of the stay of the suspension is pending when the period of the stay would otherwise have terminated, the DHC retains jurisdiction to lift the stay and activate the two-year suspension in whole or in part if it finds that any of the conditions of the stay have not been met. The stay of the suspension and Defendant's obligation to comply with the conditions of the stay will continue until resolution of any such pending motion or show cause proceeding.

5. If during the stay of the suspension Defendant fails to comply with any one or more of the conditions stated above, then the stay of the suspension of Defendant's law license may be lifted as provided in 27 N.C. Admin. Code 1B.0118.

6. If the stay of the suspension is lifted and the suspension is activated for any reason, Defendant may apply for reinstatement after serving the activated suspension by filing a petition with the Disciplinary Hearing Commission along with supporting documentation demonstrating compliance with the requirements of 27 N.C. Admin. Code 1B.0129(b), as well as the following requirements, by clear, cogent, and convincing evidence:

- a) Defendant satisfied the conditions set forth in paragraphs 3(a) through 3(k) above;
- b) Defendant properly wound down his law practice and complied with the requirements of 27 N.C. Admin. Code 1B.0128;
- c) Defendant submitted his law license and membership card to the Secretary of the State Bar no later than 30 days following the effective date of the order lifting the stay;
- d) Defendant promptly returned client files in his possession, custody, or control to clients upon request, within 5 days of receipt of such request. Defendant will be deemed to have received any such request 3 days after the date such

request is sent to Defendant if the request is sent to the address Defendant provided the Membership Department of the State Bar pursuant to the preceding paragraph;

- e) Defendant disbursed to the proper recipients all identified client funds in any trust account he maintained upon the termination of his representation by the activation of his suspension;
- f) Defendant complied with Rule 1.15-2(r) and Chapter 116B of the General Statutes regarding any and all abandoned or unidentified funds in any trust account of Defendant's within 30 days of being statutorily permitted to escheat funds to the State;
- g) Defendant kept the North Carolina State Bar Membership Department advised of Defendant's current physical business address, telephone number and e-mail address, and notified the Bar of any change within ten days of such change;
- h) Defendant responded to all communications from the North Carolina State Bar, including communications from the Attorney Client Assistance Program, within thirty days of receipt or by the deadline stated in the communication, whichever is sooner, and participated in good faith in the State Bar's fee dispute resolution process for any petition of which Defendant received notice after the effective date of this Order;
- i) Defendant accepted all certified mail from the State Bar sent to the address of record with the Membership Department of the State Bar;
- j) There is no deficit in Defendant's completion of mandatory CLE hours, in the reporting of such hours, or in the payment of any fees associated with attendance at CLE programs;
- k) Defendant is current in payment of all Membership dues, fees and costs, including all Client Security Fund assessments and other charges or surcharges the State Bar is authorized to collect from Defendant, as well as all judicial district dues, fees and assessments;
- l) Defendant paid the costs and administrative fees of this proceeding as assessed by the Secretary of the North Carolina State Bar;
- m) Defendant did not violate the Rules of Professional Conduct, the laws of the United States or the laws of any state or local government during the suspension; and
- n) If Defendant failed to fully comply with 27 N.C. Admin. Code 1B.0128, Defendant shall reimburse the State Bar for any expenses incurred by the State Bar in winding down Defendant's practice. Such expenses may include, but are not limited to, storage facility fees, rent payments, moving expenses,

charges for secure disposal of client files, postage or other mailing expenses, and compensation paid to any appointed trustee and/or the trustee's assistant for time and travel associated with the trusteeship. The State Bar shall send an invoice of wind-down expenses to Defendant at Defendant's last known address of record with the State Bar. Defendant shall not be eligible for any stay of suspension or reinstatement from suspension until he has reimbursed the State Bar for any wind-down expenses incurred.

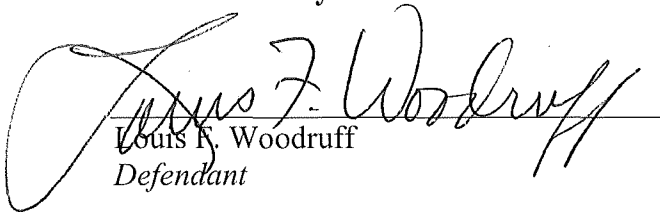
7. The Disciplinary Hearing Commission will retain jurisdiction of this matter pursuant to 27 N.C. Admin. Code 1B.0118 throughout the suspension, and any stay thereof, and until all conditions of this Order have been satisfied.

Signed by the Disciplinary Hearing Panel Chair with the consent of the other hearing panel members, this the 24 day of March, 2020.

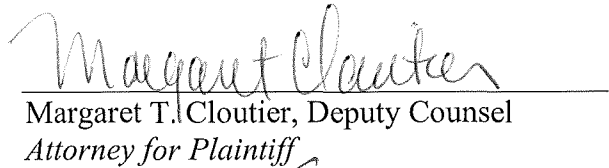


Fred W. DeVore, III, Chair
Disciplinary Hearing Panel

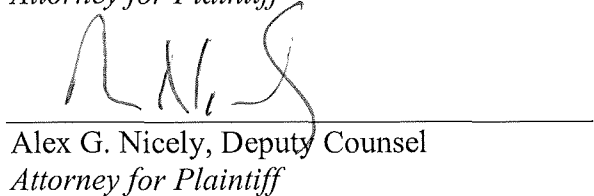
Consented to by:



Louis F. Woodruff
Defendant



Margaret T. Cloutier, Deputy Counsel
Attorney for Plaintiff



Alex G. Nicely, Deputy Counsel
Attorney for Plaintiff