



STATE OF NORTH CAROLINA
WAKE COUNTY

BEFORE THE
DISCIPLINARY HEARING COMMISSION
OF THE
NORTH CAROLINA STATE BAR
17 DHC 18

THE NORTH CAROLINA STATE BAR,
Plaintiff
v.
CARLOS D. WATSON, Attorney,
Defendant

ORDER
OF
DISBARMENT

THIS MATTER coming before the undersigned Chair of the Disciplinary Hearing Commission pursuant to 27 N.C. Admin. Code 1B.0121(d) upon an affidavit of surrender of license executed by Carlos D. Watson ("Watson" or "Defendant") dated 15 December 2017 and filed in the offices of the North Carolina State Bar on 15 December 2017.

Based upon the pleadings and the record, the undersigned makes 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 promulgated thereunder.
2. Defendant was licensed to practice law in North Carolina on 23 March 2002 and was at all times referred to herein an attorney at law licensed to practice in North Carolina, subject to the rules, regulations, and Rules of Professional Conduct of the North Carolina State Bar and the laws of the State of North Carolina.
3. On 18 July 2017, the State Bar filed a formal complaint against Watson alleging, among other things, that he had misappropriated funds entrusted to him by his clients to his own use. The State Bar's complaint is incorporated by reference herein.
4. Watson has indicated his consent to disbarment by filing an affidavit of surrender with the Disciplinary Hearing Commission. The affidavit meets all requirements set forth in 27 N.C. Admin. Code title 1B.0121(a)(1) through (4), and (d).

Based upon the foregoing Findings of Fact the undersigned makes the following:

CONCLUSIONS OF LAW

1. 27 N.C. Admin. Code 1B.0108(6) provides that the Chair of the Disciplinary Hearing Commission has the power to enter orders disbarring members by consent.

2. Defendant's affidavit meets all requirements set forth in 27 N.C. Admin. Code 1B.0121(a)(1) through (4), and (d), and the facts on which the affidavit is predicated warrant Defendant's disbarment.

3. Defendant has acknowledged that the material facts as alleged in the State Bar's complaint, incorporated herein by reference, are true, and misconduct constituting grounds for discipline has been established.

4. Watson's conduct constitutes grounds for discipline under N.C. Gen. Stat. § 84-28(b)(2) in that Watson violated the Rules of Professional Conduct including Rule 8.4(c).

Based upon the foregoing Findings of Fact and Conclusions of Law, the undersigned Chair of the Disciplinary Hearing Commission enters the following:

ORDER

1. The surrender of the license of Carlos D. Watson is hereby accepted.

2. Carlos D. Watson is DISBARRED from the practice of law in North Carolina effective upon the entry of this order with the Secretary of the North Carolina State Bar.

3. Carlos D. Watson shall comply with the provisions of 27 N.C. Admin. Code 1B.0128.

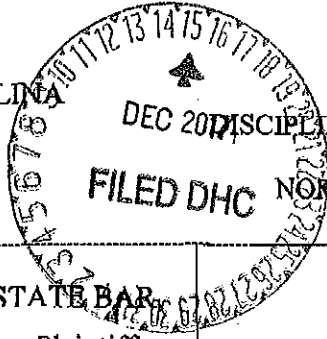
4. The costs of this action are taxed against the Defendant.

Done and Ordered this 18th day of December, 2017.


Fred M. Morelock, Chair
Disciplinary Hearing Commission

STATE OF NORTH CAROLINA

WAKE COUNTY



BEFORE THE DISCIPLINARY HEARING COMMISSION OF THE NORTH CAROLINA STATE BAR 17 DHC 18

THE NORTH CAROLINA STATE BAR

Plaintiff

v.

CARLOS D. WATSON, Attorney,

Defendant

AFFIDAVIT OF SURRENDER OF LAW LICENSE

CARLOS D. WATSON, being first duly sworn, deposes and says as follows:

1. I desire to resign and hereby tender my license to practice law in North Carolina and consent to disbarment.
2. My resignation and consent is freely and voluntarily rendered. It is not the result of coercion or duress. I am fully aware of the implications of submitting my resignation.
3. I am aware that there is a complaint against me pending before the Disciplinary Hearing Commission, a copy of which is attached hereto as Exhibit A and incorporated herein by reference.
4. I acknowledge that the material facts alleged in the complaint are true.
5. I am submitting my resignation because I know that I could not successfully defend against these disciplinary charges.

THIS the 15th day of December, 2017.

[Signature]
Carlos D. Watson

I, Anthony L Samuel, Notary Public of the County of Mecklenburg State of North Carolina, certify that Carlos D. Watson personally appeared before me this day, was sworn, and acknowledged the due execution of the foregoing Affidavit.

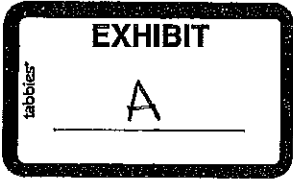
Sworn to and subscribed before me

This the 15 day of December, 2017.

[Signature]
Notary Public

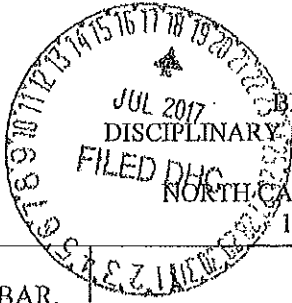
My Commission Expires: February 14, 2018

ANTHONY L SAMUEL
NOTARY PUBLIC
Mecklenburg County
North Carolina
My Commission Expires 2/14/18



STATE OF NORTH CAROLINA

WAKE COUNTY



BEFORE THE
DISCIPLINARY HEARING COMMISSION
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NORTH CAROLINA STATE BAR
17 DHC 18

THE NORTH CAROLINA STATE BAR,

Plaintiff

v.

CARLOS D. WATSON, Attorney,

Defendant

COMPLAINT

Plaintiff, complaining of Defendant, alleges and says:

1. Plaintiff, the North Carolina State Bar ("Plaintiff" or "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 promulgated thereunder.

2. Defendant, Carlos D. Watson ("Defendant" or "Watson"), was admitted to the North Carolina State Bar on 23 March 2002 and is, and was at all times referred to herein, an attorney at law licensed to practice in North Carolina, subject to the rules, regulations and Rules of Professional Conduct of the North Carolina State Bar and the laws of the State of North Carolina.

3. During the relevant period referred to herein, Watson actively engaged in the practice of law in the State of North Carolina and maintained a law office in Charlotte, Mecklenburg County, North Carolina,

4. Watson maintained three general attorney trust accounts: Bank of America IOLTA account ending in no. 4112 ("Bank of America trust account"), Fifth Third Bank Real Estate Trust Account ending in no. 3647 ("Fifth Third trust account"), and SunTrust IOLTA account ending in no. 4481 ("SunTrust trust account").

FIRST CLAIM FOR RELIEF

5. Paragraphs 1 through 4 are re-alleged and incorporated herein.

6. On or about 2 December 2015, Watson was the subject of a random procedural audit of his trust accounts by the State Bar.

7. Watson did not have activity in the Fifth Third trust account during the audit period.

8. The procedural audit revealed the following deficiencies in Watson's trust account management of the Bank of America trust account and SunTrust trust account:

- a. Watson failed to conduct monthly reconciliations of his trust accounts;
- b. Watson failed to conduct quarterly reconciliations of his trust accounts;
- c. Watson disbursed funds from the Bank of America trust account for the benefit of clients who did not have sufficient funds on deposit in the trust account to fund such disbursements resulting in negative client balances; and
- d. Watson failed to maintain complete check images for his trust accounts.

9. In or about September 2016, an investigative audit of Watson's Bank of America and SunTrust trust accounts was conducted.

10. The investigative audit confirmed the deficiencies found during the procedural audit.

SunTrust trust account

11. The investigative audit showed that Watson transferred funds from the SunTrust account to his operating account as purported payment of legal fees without identifying on the items the client balance from which the funds were drawn.

12. Watson also failed to maintain accurate client ledgers for the SunTrust trust account.

Bank of America trust account

13. The investigative audit showed that for the Bank of America trust account Watson failed to maintain accurate client ledgers, and, at the time of the audit, the balance in the trust account was less than the amount he was required to maintain in trust for his clients.

14. The shortage in the Bank of America trust account was caused primarily because Watson disbursed to himself more funds than he was entitled to receive as follows:

- a. On or about 13 February 2015, Watson disbursed \$1,000 to himself on behalf of client Special K at a time when Watson only maintained \$500 in trust for Special K;
- b. On or about 17 February 2015, Watson disbursed \$1,500 to himself on behalf of client Special K at a time when Watson had already disbursed to himself on behalf of Special K \$500 more than the amount Watson maintained in trust for Special K;

- c. On or about 24 February 2015, Watson disbursed \$1,100 to himself on behalf of client Steps Inc./Johnson at a time when Watson did not maintain any funds in trust for Steps Inc./Johnson;
- d. On or about 26 February 2015, Watson disbursed \$1,000 to himself on behalf of client Special K at a time when Watson had already disbursed to himself on behalf of Special K \$2,000 more than the amount Watson maintained in trust for Special K;
- e. On or about 6 March 2015, Watson disbursed \$1,600 to himself on behalf of client Dillahunt at a time when Watson only maintained \$1,000 in trust for Dillahunt;
- f. On or about 10 June 2015, Watson disbursed \$1,800 to himself on behalf of client Steps Inc./Johnson at a time when Watson had already disbursed to himself on behalf of Steps Inc./Johnson \$1,100 more than the amount Watson maintained in trust for Steps Inc./Johnson;
- g. On or about 27 July 2015, Watson disbursed \$200 to himself on behalf of client Steps Inc./Johnson at a time when Watson had already disbursed to himself on behalf of Steps Inc./Johnson \$2,900 more than the amount Watson maintained in trust for Steps Inc./Johnson;
- h. On or about 16 March 2016, Watson disbursed \$2,000 to himself on behalf of client Simmons at a time when Watson only maintained \$1,650 in trust for Simmons;
- i. On or about 21 March 2016, Watson disbursed \$150 to himself on behalf of client Simmons at a time when Watson had already disbursed to himself on behalf of Simmons \$350 more than the amount Watson maintained in trust for Simmons;
- j. On or about 21 March 2016, Watson disbursed \$475 to himself on behalf of client Gatner at a time when Watson only maintained \$225 in trust for Gatner;
- k. On or about 6 July 2016, Watson disbursed \$1,000 to himself on behalf of client Riddle at a time when Watson did not maintain any funds in trust for Riddle;

15. The funds Watson disbursed to himself as described in the preceding paragraph were entrusted funds Watson was required to maintain in trust for his other clients.

16. Watson was informed after the procedural audit in December 2015 that some client ledger balances for the Bank of America trust account were negative.

17. Despite being informed of the negative client ledger balances in the Bank of America trust account, Watson failed to replenish the trust account for the shortage.

18. Instead, Watson continued disbursing funds to himself from the Bank of America trust account though he had been informed that there was a shortage in the trust account.

19. Watson was not entitled to the funds that he disbursed to himself as described in paragraph 14 above.

20. Watson used his clients' entrusted funds for purposes other than that for which the funds were entrusted to him.

THEREFORE, the State Bar alleges that Defendant's foregoing actions constitute grounds for discipline pursuant to N.C. Gen. Stat. § 84-28(b)(2) in that he violated one or more of the Rules of Professional Conduct in effect at the time of the actions as follows:

- (a) By failing to reconcile the trust account, Watson failed to perform monthly and quarterly reconciliations of his trust account in violation of Rule 1.15-3(d);
- (b) By failing to maintain complete check images, Watson failed to maintain required records for trust accounts in violation of Rule 1.15-3(b);
- (c) By transferring funds to himself from the SunTrust trust account without identifying on the item the client balance from which the funds were drawn, Watson failed to indicate on items payable to the lawyer the client from whose balance the item was drawn in violation of Rule 1.15-2(h) and failed to maintain required records for general trust accounts in violation of Rule 1.15-3(b);
- (d) By failing to maintain accurate client ledgers, Watson failed to maintain required records for general trust accounts in violation of Rule 1.15-3(b);
- (e) By disbursing funds to himself on behalf of clients who did not have funds in the trust account, Watson 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(k)¹; and
- (f) By disbursing funds to himself from the Bank of America trust account that he was not entitled to receive, Watson failed to properly maintain entrusted funds in violation of Rule 1.15-2(a), 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(k)¹, committed a

¹ Previously codified as Rule 1.15-2(j).

criminal act (embezzlement) that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects in violation of Rule 8.4(b), and engaged in conduct involving dishonesty, fraud, deceit, or misrepresentation in violation of Rule 8.4(c).

SECOND CLAIM FOR RELIEF

21. Paragraphs 1 through 4 are re-alleged and incorporated herein.
22. Watson represented S. Williams in a personal injury matter.
23. Watson settled Williams' personal injury claim.
24. On or about 8 July 2015, Watson deposited Williams' settlement proceeds in the amount of \$9,300 into the Bank of America trust account.
25. According to Watson's Contingent Fee Agreement with Williams, Watson was entitled to collect 1/3 of Williams' settlement proceeds as his legal fee. Thus, Watson was entitled to collect \$3,100 as his legal fee.
26. On or about 10 July 2015, Watson disbursed \$3,100 to himself from the balance of funds he maintained in the Bank of America trust account for Williams.
27. Also on 10 July 2015, Watson disbursed an additional \$1,000 to himself by debit bank withdrawal from the balance of funds he maintained in the Bank of America trust account for Williams.
28. Watson was not entitled to the \$1,000 debit payment he made to himself. These funds were Williams' entrusted funds which Watson was required to maintain in trust on Williams' behalf for payment of medical liens.

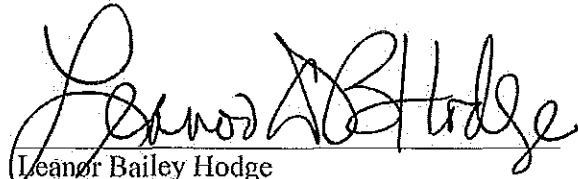
THEREFORE, the State Bar alleges that Defendant's foregoing actions constitute grounds for discipline pursuant to N.C. Gen. Stat. § 84-28(b)(2) in that he violated one or more of the Rules of Professional Conduct in effect at the time of the actions as follows:

- (g) By disbursing \$1,000 of Williams' entrusted funds to himself by debit bank withdrawal, Watson drew an item on his trust account payable to cash or bearer in violation of Rule 1.15-2(i), 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(k), committed a criminal act (embezzlement) that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects in violation of Rule 8.4(b), and engaged in conduct involving dishonesty, fraud, deceit, or misrepresentation in violation of Rule 8.4(c).

WHEREFORE, Plaintiff prays that:

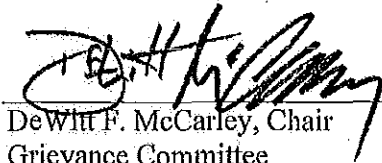
- (1) Disciplinary action be taken against Defendant in accordance with N.C. Gen. Stat. § 84-28 (a) and 27 N.C. Admin. Code 1B § .0114 as the evidence on hearing may warrant;
- (2) Defendant be taxed with the administrative fees and costs permitted by law in connection with this proceeding; and
- (3) For such other and further relief as is appropriate.

This the 18th day of July, 2017.



Leann Bailey Hodge
Deputy Counsel
State Bar No. 27253
Attorney for Plaintiff
The North Carolina State Bar
P.O. Box 25908
Raleigh, NC 27611
919-828-4620

Signed pursuant to 27 N.C. Admin. Code 1B § .0113(n) and §.0105(a)(10).



DeWitt F. McCarley, Chair
Grievance Committee