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CLERK U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
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CENTRAL DISTRICT OF CALIFORNIA
BY: Deputy Clerk

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA**

In re:

THE DISCIPLINARY PROCEEDING OF
LYNNE ROMANO,

Attorney.

Case No.: 2:12-mp-00104-TA

Related Case Nos.:
1:12-mp-00101-GM (discipline)
1:08-bk-17123-MT (lead case)

**MEMORANDUM DECISION SUSPENDING
LYNN ROMANO FROM PRACTICING LAW
IN THIS COURT, AND IMPOSING
ADDITIONAL SANCTIONS**

Date: June 18, 2012
Time: 10:00 a.m.
Location: Courtroom 5C
411 W. 4th St,
Santa Ana, CA

This disciplinary proceeding arises from 82 cases in which attorney Lynn Romano (SBN 123413) participated in a scheme to delay foreclosures by (a) transferring fractional interests in the underlying real properties to various corporations, the vast majority of which were fictional or suspended entities, and then (b) filing "face sheet" bankruptcy petitions for those corporations, without subsequently filing required documents or otherwise prosecuting their bankruptcy cases. Ms. Romano claims that she was motivated by a genuine desire to assist the owners of those properties but she does not deny her role in the scheme.

We hold that, in addition to disgorgement of fees and other remedies imposed by the Honorable Geraldine Mund, Ms. Romano will be subject to the sanctions set forth at

1 the end of this Memorandum Decision. Among other things, she will be barred from
2 appearing in any bankruptcy matter in this district for a period of at least five years, she
3 has agreed not to file or associate herself in any manner with persons who participate in
4 filing bankruptcy petitions in or out of this district during the pendency of her
5 suspension, and she must complete two ethics courses that are relevant to her
6 transgressions.

7 **I. Background**

8 **A. Proceedings Before Judge Mund**

9 On February 8, 2012 the Office of the United States Trustee ("UST") filed an
10 application for an order directing Ms. Romano to show cause why she should not be
11 sanctioned, directed to disgorge fees, and other things. *See Application for Order to*
12 *Show Cause [etc.]* (the "OSC Application"), *In re 9238 Woodman Inc.* (Case No. 1:08-
13 bk-17123-MT) (the "Lead Case"), docket no. 18. The OSC Application was set for
14 hearing before the Honorable Geraldine Mund on March 6, 2012.

15 On February 21, 2012 Ms. Romano filed her Response (Lead Case, docket
16 no. 23) (the "Response"). According to Ms. Romano, she is primarily a real estate
17 attorney but after the 2008 financial crisis she was "often approached, primarily through
18 referrals from existing clients and friends, by people who needed help with loan
19 modifications, short sales, [etc.]" *Response* at 1:11-13. She alleges that she insisted
20 on "conditions" for working on these matters including "that I have assistance with some
21 of the work I was doing, and in particular with any bankruptcy petitions that were filed"
22 as well as with "assuring the existence" of the corporations that were used in the
23 scheme. *Id.* at 7:2-3. She did not "directly" prepare the paperwork and instead relied
24 primarily on real estate brokerage firm K-G Financial, which was one of her referral
25 sources, and on Mr. Joseph A. Quartell, a non-lawyer paralegal to whom she had been
26 introduced by K -G Financial. *Id.* at 6:11-21.

27 The Response also argued:

28 My intent was never to misuse the Bankruptcy Laws or to
abuse the services of this court To the contrary, my intention
was to assist my clients as they struggled through the aftermath of

1 the mortgage crisis to save their homes and real property
2 investments. ... I have ceased any filings under the bankruptcy
3 laws and will not engage in representation of debtors before this
4 court in the future. * * *

5 ... The [loan modification] process was extremely frustrating
6 and time consuming. First, banks would not even begin to review a
7 modification or short sale package without the borrower being in
8 default. Second ... [the] modification or loss mitigation departments
9 had little or no contact with the foreclosure departments and as a
10 result we found ourselves often working against impossible odds to
11 complete a modification before the bank would take the property in
12 foreclosure. * * *

13 The reason that corporations were used was to prevent any
14 additional financial disaster to the homeowners. Even though all of
15 them had mortgage defaults reflected against their credit, they did
16 not show as full[y] completed foreclosures, thus the borrowers[']
17 credit could be preserved somewhat while attempting to save their
18 properties. Further, many of the clients were not appropriate
19 candidates for bankruptcies because of other assets and many had
20 more than a difficult time accepting the "stigma" of bankruptcy. ...
21 This was also the reason that in some cases only a fractional
22 interest was conveyed; so that the homeowner did not face having
23 to relinquish all legal interest in the property they were trying so
24 hard to save. [Response at 1:4-10, 1:23-2:11, and 6:1-10]

25 Ms. Romano concluded, "I believed I was doing the right thing for my clients;
26 perhaps, I did it the wrong way." Response at 8:1-2 (emphasis added).

27 On February 28, 2012 the UST filed a Reply. Reply (Lead Case), docket no. 25
28 (the "UST Reply"). In that Reply the UST argues:

Desire to help a client does not justify an attorney's departure from
the duty to make truthful representations to this Court, or to carry
out her responsibilities as counsel. By filing these petitions,
Romano represented to this Court, in accord with Federal Rules of
Bankruptcy Procedure 9011, that there was an evidentiary basis for
the filings, and that the filings were not made for an improper
purpose or to cause unnecessary delay. She now concedes that
the filings were solely for the purpose of delay, and that she did not
even know if the corporations for whom she filed bankruptcy cases
were actual corporations. Regardless of the circumstances, misuse
of the bankruptcy process solely to delay creditors is unacceptable.
[UST Reply at 2:6-14 (footnotes omitted)].

The UST noted that Ms. Romano's Response left a number of questions
unanswered, including what investigation she conducted, if any, before participating in
the filing of the bankruptcy petitions. Reply at 5:13. The UST argued that in addition to
Rule 9011, Ms. Romano's conduct violated the ethical rules governing the practice of

1 lawyers in this district. See *OSC Application* at 10:8-14 and *Reply* at 2 nn. 1-2 and
2 *passim* (citing, *inter alia*, Cal. Bus. & Prof. C. § 6068(d) (lawyer must employ only
3 means consistent with the truth, and must not seek to mislead the judge by false
4 statements of fact or law); Cal. Rules Prof. Conduct 5-200 (same); Model Rules Prof.
5 Conduct 3.3 (same), 4.4 (“in representing a client, a lawyer shall not use means that
6 have no substantial purpose other than to embarrass, delay, or burden a third person”),
7 and 5.3(b) (supervisory duties over non-lawyer); Cal. Rules Prof. Conduct 1-320(A)
8 (prohibiting fee sharing with non-lawyer)).

9 The Bankruptcy Court issued a tentative ruling prior to the scheduled hearing
10 date. See *Statement of Cause* (Case No. 2:12-mp-00104-TA, docket no. 1) at 2 *et seq.*
11 (the “Tentative Ruling”). In that Tentative Ruling Judge Mund concluded:

12 [Ms. Romano] seems to think that the end justifies the
13 means. If it will allow someone to continue with the loan
14 modification process, it is okay to file bankruptcies merely to gain
15 time. If people wish to avoid the impact of being a debtor in
16 bankruptcy or they have assets that might be used to pay their
17 creditors, it is okay to transfer the property to a newly formed
18 corporation and have that entity file. ... [T]his is not acceptable in
19 this court or any other court as a pattern of behavior for an attorney.
20 [Tentative Ruling at 4, citations omitted]

21 On March 5, 2012, just prior to the hearing before Judge Mund, Ms. Romano
22 filed a Supplemental Response (Lead Case, docket no. 26) in which she stated:

23 I respect the Court[’s] finding that I believe “the end justifies
24 the means” but while this may appear to have been a wrongful
25 motivation, the true fact is that the only end I was trying to
26 accomplish was to assist my clients using every tool available to
27 me. * * *

28 ... Admittedly, I relied on the services of Mr. Quartell and
should have supervised the process more carefully. Prior to filing
any [bankruptcy] petitions, however, Mr. Quartell advised me as to
the current status of the modifications and short sales (if I was not
already informed) and was authorized to file the bankruptcy cases.
[*Supp. Response* at 1:3-5 & 3:1-4]

At the hearing on March 6, 2012 Judge Mund was not persuaded that Ms.
Romano understood the nature and gravity of her transgressions. Judge Mund
illustrated the problem with an analogy to an attorney who may have empathy for a
client who has to pay taxes, but:

1 You can't really say to your client, "Well, I'm going to save
2 you money by not giving all your income on your tax return
3 We're going to have to file a false tax return." Well, what happened
4 with these [bankruptcy] petitions was they were false ... they
5 weren't complete [and the persons who signed the petitions] didn't
6 show up for the examination of creditors [or comply with] duties that
7 were required. [*Transcript 5/6/12 (Case No. 1:08-bk-17123-MT) at*
8 101:12-25.]

9 On May 2, 2012 Judge Mund issued an Order ruling that Ms. Romano violated
10 the duty to supervise non-lawyers, the duty not to aid in the unauthorized practice of
11 law, the duty not to mislead the Bankruptcy Judge, and other legal and ethical
12 requirements, and, among other sanctions Judge Mund ordered Ms. Romano to
13 disgorge \$18,500 (the aggregate dollar amount of the fees that she alleges she
14 collected for filing the 82 "face sheet" bankruptcy petitions). *Order* (Lead Case, docket
15 no. 29). Meanwhile, on March 12, 2012 Judge Mund filed with the Clerk of Court a
16 memorandum ("Statement of Cause") pursuant to Fourth Amended General Order 96-
17 05 (the "General Order") in which she made the following recommendation:

18 Ms. Romano stated that she will no longer practice in the
19 bankruptcy court. I believe this should be made an order of the
20 Disciplinary Panel. I am further concerned that she is not ethically
21 knowledgeable and that she still seems to believe that it is
22 acceptable to improperly and abusively use the Court system so
23 long as her clients – the victims of the loan modification delays –
24 are benefitted thereby. I believe that she should also be ordered to
25 participate in an appropriate ethics seminar or tutorial. [*Statement*
26 *of Cause (Case No. 2:12-mp-00104-TA, docket no. 1) at 2.*]

27 **B. Proceedings Before Disciplinary Panel**

28 On March 26, 2012 the Clerk of Court filed and served a Notice of Assignment of
Hearing Panel; Fourth Amended General Order 96-05; Statement of Cause (Case No.
2:12-mp-00104-TA, docket no. 6). On April 12, 2012 the Clerk of Court filed and served
a Notice of Disciplinary Hearing (Case No. 2:12-mp-00104-TA, docket no. 7).

On June 6, 2012 Ms. Romano filed and served her Response to the Statement of
Cause (Case No. 2:12-mp-00104-TA, docket no. 9) (the "SOC Response") in which she
acknowledged that her professional judgment was "clouded by my deep empathy with
the plight of my clients who ... were facing the loss of their homes before they could
successfully negotiate a loan workout," and also stated:

1 I fully appreciate that I was wrong in not ascertaining on a case by
2 case basis whether there was a financial basis for the bankruptcy
3 filings independent of attempting to delay the foreclosure process. I
4 also understand and appreciate that I was wrong in not closely
supervising the work of my paralegal and in not being more hands
on and more closely reviewing the bankruptcy petitions prior to
filing. [SOC Response at 2:20-24 & 3:1-4]

5 Ms. Romano proposed that she "cease to represent parties before the
6 Bankruptcy Court for a period of 5 years" after which she could apply for permission to
7 represent parties in the Bankruptcy Court, and that she "participate in an Ethics MCLE
8 class regarding client representation during my current MCLE reporting period." SOC
9 Response at 3:13-19. The UST filed a Notice of Intent to Appear and Participate (Case
10 No. 2:12-mp-00104-TA, docket no. 11) stating that the UST "does not oppose the
11 discipline set forth in the [SOC Response]."

12 On June 18, 2012 the matter came on for hearing before the undersigned
13 Bankruptcy Judges (the "Panel"). Ms. Romano represented herself and made an
14 opening statement. The Panel expressed its concern that Ms. Romano still has not fully
15 accepted the nature and gravity of her transgressions, which she referred to as a
16 "mistake" but which in fact were intentional acts. However well motivated, those acts
17 were a misuse of the bankruptcy process solely for the purposes of delay, without any
18 intent to comply with the duties imposed on debtors in exchange for the benefits of
19 bankruptcy, and which caused considerable expenditure of time and resources of the
20 Bankruptcy Court and other parties in interest. Ms. Romano responded with
21 assurances that she understood these concerns, but in view of her repeated statements
22 suggesting otherwise the Panel is not fully satisfied that this is true.

23 The Panel questioned whether, despite Ms. Romano's stated intent to assist her
24 clients, her acts had in fact resulted in successful loan modifications. Ms. Romano
25 admitted that, with perhaps very limited exceptions, they had not.

26 The Panel also expressed its concern that persons who engage in the type of
27 conduct to which Ms. Romano admits often construe any terms of their discipline in
28 ways that are intended to evade that discipline. For example, the Panel noted, Ms.

1 Romano's offer to cease to represent parties "before the Bankruptcy Court" conceivably
2 could be a ploy by which – although she personally would cease actually appearing in
3 court – she would continue working with persons *in pro per* or Mr. Quartell or others to
4 assist them in orchestrating improper bankruptcy filings, including possibly in other
5 districts such as the Southern District of California. Ms. Romano assured the Panel that
6 this was not so. Ms. Romano agreed that during the period of her suspension from
7 practice before this Court she will not participate in any manner in representing any
8 debtor in connection with any bankruptcy matter in any jurisdiction, and she will not
9 associate herself with persons who participate in such debtor representation in any
10 jurisdiction.

11 **C. Discipline**

12 The Panel has considered the foregoing facts and circumstances in view of the
13 factors suggested by applicable caselaw. See *In re Brooks-Hamilton*, 400 B.R. 238,
14 252 (9th Cir. BAP 2009) ("To determine an appropriate sanction, the bankruptcy court
15 should consider: (1) whether the duty violated was to a client, the public, the legal
16 system or the profession; (2) whether the lawyer acted intentionally, knowingly or
17 negligently; (3) whether the lawyer's misconduct caused a serious or potentially serious
18 injury; and (4) whether aggravating factors or mitigating circumstances exist [the ABA
19 Standards].") (citation omitted), as modified by *In re Nguyen*, 447 B.R. 268 (9th Cir. BAP
20 2011) (encouraging, but not requiring, consideration of ABA Standards).

21 Based on the foregoing the Panel has decided that the following sanctions are
22 appropriate. A Discipline Order incorporating these sanctions will be issued concurrent
23 with this Memorandum Decision.

24 (1) Effective immediately, Ms. Romano is suspended indefinitely from practicing
25 law in all divisions of the United State Bankruptcy Court for the Central District of
26 California (the "Court").

27 (2) After not less than five years Ms. Romano may apply to the Chief Bankruptcy
28 Judge of the Court for reinstatement in accordance with the provisions of the General

1 Order.

2 (3) As agreed by Ms. Romano at the hearing before the Panel, she is barred from
3 seeking to do indirectly the types of practices that she is barred from doing directly by
4 the foregoing paragraphs. In addition, as agreed by Ms. Romano, during the period of
5 her suspension from practice before this Court she shall not participate in any manner in
6 representing any debtor in connection with any bankruptcy matter in any jurisdiction,
7 and she will not associate herself with persons who participate in such debtor
8 representation in any jurisdiction.

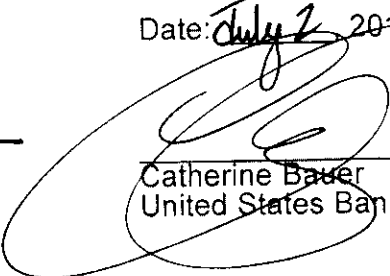
9 (4) Ms. Romano must participate in not less than six hours of continuing legal
10 education in ethics. The subjects of those ethics classes must be relevant to the
11 misconduct in which she has engaged. Ms. Romano must retain written evidence of her
12 participation in such classes, and must present such written evidence in connection with
13 any application for reinstatement.

14 (5) Pursuant to the General Order (at 5:20-21) the Clerk of Court is requested
15 and directed to transmit a copy of this Memorandum Decision and the accompanying
16 Disciplinary Order to the State Bar of California.

17 Date: July 2, 2012

Date: July 2, 2012

18 
19 _____
20 Theodor Albert
United States Bankruptcy Judge



Catherine Bauer
United States Bankruptcy Judge

21 Date: June 29, 2012

22 _____
23 
24 Neil W. Bason
United States Bankruptcy Judge

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26 ###
27
28

NOTICE OF ENTERED ORDER AND SERVICE LIST

Notice is given by the court that a judgment or order entitled (*specify*): **MEMORANDUM DECISION
SUSPENDING LYNN ROMANO FROM PRACTICING LAW IN THIS COURT, AND IMPOSING
ADDITIONAL SANCTIONS** was entered on the date indicated as "Entered" on the first page of this judgment or order and will be served in the manner stated below:

1. **SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)** – Pursuant to controlling General Orders and LBRs, the foregoing document was served on the following persons by the court via NEF and hyperlink to the judgment or order. As of (*date*) **6/29/12**, the following persons are currently on the Electronic Mail Notice List for this bankruptcy case or adversary proceeding to receive NEF transmission at the email addresses stated below.

- Ron Maroko ron.maroko@usdoj.gov
- Lynne Romano lynne@lromano.com
- S Margaux Ross margaux.ross@usdoj.gov
- United States Trustee (LA) ustpregion16.la.ecf@usdoj.gov

Service information continued on attached page

2. **SERVED BY THE COURT VIA UNITED STATES MAIL:** A copy of this notice and a true copy of this judgment or order was sent by United States mail, first class, postage prepaid, to the following persons and/or entities at the addresses indicated below:

Lynne Romano
234 E. Colorado Blvd., Ste. 208
Pasadena, CA 91101

Service information continued on attached page

3. **TO BE SERVED BY THE LODGING PARTY:** Within 72 hours after receipt of a copy of this judgment or order which bears an "Entered" stamp, the party lodging the judgment or order will serve a complete copy bearing an "Entered" stamp by United States mail, overnight mail, facsimile transmission or email and file a proof of service of the entered order on the following persons and/or entities at the addresses, facsimile transmission numbers, and/or email addresses stated below:

Service information continued on attached page