

**PRACTICE OF LAW BOARD  
STATE OF WASHINGTON**

1325 Fourth Avenue, Suite 600, Seattle, WA 98101-2539  
(206) 727-8252 ▪ Fax (206) 727-8314

Members

**Stephen Crossland**  
Chairperson  
Cashmere

January 15, 2008

**Hon. Paul A. Bastine**  
Vice-Chairperson  
Spokane

Robert D. Karoly & Associates  
Investor's Recovery Specialists, Inc.

**Rita L. Bender**  
Seattle

██████████  
Vero Beach, FL ██████████

**Margaret Bridewell**  
Walla Walla

RE: File No. 07-20 Unauthorized Practice of Law Complaint against Robert Karoly

**Brian J. Dano**  
Moses Lake

Dear Mr. Karoly:

**Jeanne J. Dawes**  
Spokane

The Practice of Law Board was created by order of the Washington State Supreme Court, General Rule (GR) 25. The Board is charged with the investigation of allegations of unauthorized practice of law in Washington. Revised Code of Washington (RCW) 2.48.180 states that a nonlawyer practicing law or holding himself out as entitled to practice law constitutes the unauthorized practice of law. Court rule GR 24 defines the practice of law. The unauthorized practice of law is a crime in Washington.

**Stephanie Delaney**  
Seattle

**Nancy C. Ivarinen**  
Burlington

**Cheryl D. Kringle**  
Seattle

As you are aware, G ██████ S ██████, a Washington resident, filed a complaint against you alleging that you engaged in the unauthorized practice of law. Ms. S ██████ contacted you and your business, Investor's Recovery Services Inc. (IRSI) to seek assistance with recovering an investment loss against a brokerage company. On July 11, 2002, Ms. S ██████ signed an Arbitration Management Agreement with you employing IRSI "to manage a claim for the recovery of solicited securities or future losses through arbitration

**Howard H. Marshack**  
Vancouver

**Daniel Pérez**  
Seattle

**Renée Shadel**  
Seattle

The NASD scheduled the case for hearing in Seattle on May 9, 10, and 11, 2006. You arranged for California attorney L ██████ D ██████ to appear at the hearing and Ms. S ██████ signed a Retention Agreement retaining Mr. D ██████ to handle the arbitration. Prior to the hearing, Mr. D ██████ advised Ms. S ██████ to accept a settlement offer, but you were adamant that Ms. S ██████ and Mr. D ██████ proceed to hearing. Mr. D ██████ and Ms. S ██████ appeared at the May 2006 hearing. You attempted to participate by phone, which the NASD Panel would not allow. The NASD panel found in Ms. S ██████'s favor and Mr. D ██████ received a check, which he forwarded to you, less a small amount of expenses. Ms. S ██████ did not receive any of the funds.

**Hon. Jane M. Smith**  
Nespelem

**Administrator**  
Julie Shankland

**Investigative Attorney**  
Sandra Schilling

After the hearing, you were insistent that Ms. S ██████ move to vacate the arbitration award in federal district court, which Ms. S ██████ did not want to do. Without her consent, you filed a pleading titled "Application to Reconsider or Vacate Securities Arbitration Award" on behalf of plaintiff G ██████ S ██████ in U.S. District Court

in Seattle. On September 15, 2006, Judge J [REDACTED] R [REDACTED] issued an order *sua sponte*, finding that you, as a non-attorney, could not enter pleadings on behalf of Ms. S [REDACTED], nor on behalf of Investor's Recovery Services corporation, and striking all pleadings that you had submitted. IRSI was allowed to join Ms. S [REDACTED] as plaintiff only after obtaining counsel, and with Ms. S [REDACTED]'s consent. The order ended with, "The court will not accept or consider any additional filings signed by Mr. Karoly on behalf of Ms. S [REDACTED] or Investor's Recovery Services." On October 11, 2006, you filed, *pro se*, an "Application to Reconsider or Vacate Award." Upon receipt of the amended filings, Judge R [REDACTED] issued another order *sua sponte*. The order dismissed the case without prejudice to Ms. S [REDACTED]. The Court found that your pleadings constituted the unauthorized practice of law.

You are not a lawyer. RCW 2.48.180(2)(a) states that a non-lawyer practicing law or holding himself out as entitled to do so constitutes the unauthorized practice of law. Giving advice or counsel to others as to their legal rights or the legal rights or responsibilities of others and selecting, drafting or completing legal documents which affect the legal rights of others are both included in the GR 24 definition of the practice of law. Judge R [REDACTED] made it clear that you, a non-attorney, could not file pleadings on behalf of Ms. S [REDACTED]. Judge R [REDACTED] also made clear that since IRSI is a corporation, you could not file on its behalf. By drafting and filing two sets of pleadings in federal district court, on behalf of Ms. S [REDACTED] and on behalf of IRSI, you engaged in the unauthorized practice of law.

At this time, pursuant to GR 25(f)(4)(B), we request that you enter into a written agreement with this Board, to refrain from the following conduct:

- ◆ Giving advice or counsel to others as to their legal rights or the legal rights or responsibilities of others for fees or other consideration;
- ◆ Holding yourself out as authorized to select, draft or complete legal documents or pleadings for others;
- ◆ Any activity which is defined as the practice of law in GR 24.

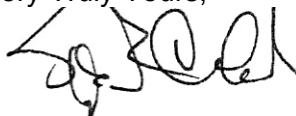
We further ask you to stipulate that in the event you violate this agreement, you agree that this stipulation, evidence of your further violation, the investigative report to the Board of your past violations, the original complaint, your response, and all other evidence of such violations shall be turned over to the appropriate County Prosecutor's Office with a request from the Board that that office institute a criminal proceeding against you.

In the event you do not return this stipulation as signed and agreed to within 15 days of the mailing of this letter, the Board will issue its report and consider turning over its investigation along with a request for prosecution to the County Prosecutor's Office.

We are hopeful that we will be able to resolve these matters by stipulation. If you are willing to so stipulate, please sign and date your signature and have your signature witnessed by a person over the age of eighteen, who will also sign as the witness. The signed letter should be returned to the Board within 15 days.

Thank you in advance for your anticipated cooperation.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'Steve Crossland', written in a cursive style.

Steve Crossland, Chair  
Practice of Law Board

cc: G [REDACTED] S [REDACTED]

JS:as