

FILE NO. \_\_\_\_\_

STATE OF MINNESOTA

IN SUPREME COURT

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In Re Petition for Disciplinary Action  
against BRIAN JAMES ENGEL,  
a Minnesota Attorney,  
Registration No. 299790.  
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**PETITION FOR  
DISCIPLINARY ACTION**

TO THE SUPREME COURT OF THE STATE OF MINNESOTA:

At the direction of a Lawyers Professional Responsibility Board Panel, the Director of the Office of Lawyers Professional Responsibility, hereinafter Director, files this petition.

The above-named attorney, hereinafter respondent, was admitted to practice law in Minnesota on May 12, 2000. Respondent is currently not authorized to practice law in Minnesota, having voluntarily elected an inactive status.

Respondent has committed the following unprofessional conduct warranting public discipline:

FIRST COUNT

1. As more fully described below, respondent was complicit in the furtherance of an ongoing series of fraudulent schemes to swindle millions of dollars from multiple investors.

2. Respondent is the owner of BJE, Inc., a Minnesota corporation. Since at least 2005, respondent has been associated with Jose Israel Castillo Robles (hereinafter Castillo). On December 22, 2006, respondent filed with the Minnesota Secretary of State's Office as registered agent and secretary of JC Funding Solutions, Inc. The address of JC Funding Solutions was respondent's office address. Castillo is a principal

of the organization and respondent's client. Respondent and Castillo have had an ongoing relationship throughout the events set forth below.

Lauritsen and Garrick "Insurance Wrap" Matter

3. Prior to the events set forth below, respondent had acted as an escrow agent on behalf of Sherwood Randall Smith and Smith's business, Consolidated Work Industries, Inc. In so doing, respondent identified himself as an attorney.

4. In February 2008, Smith contacted Kevin Lauritsen. Lauritsen and his partner, Loren Ankarlo, did business as One Source Funding Group (OSFG). Smith identified himself as owner of Consolidated Work Industries, Inc. and told Lauritsen that he had an offshore account at Royal Swiss Bank in Nassau, Bahamas (RSB).

5. There is no legitimate bank called Royal Swiss Bank in Nassau, Bahamas.

6. Smith told Lauritsen that he had \$59,000,000 on deposit in RSB and that Hong Kong Shanghai Banking Corporation (HSBC) is RSB's corresponding bank.

7. Smith told Lauritsen that he had attempted to transfer his \$59,000,000 to Wells Fargo Bank, but when he tried to do so, the transfer triggered questions by HSBC. Smith claimed that HSBC stated it would require Smith to get an "insurance wrap" and a security deposit of 2.5% before it would release Smith's funds. Smith stated that the insurance wrap/security deposit would be held by HSBC for 90 days and then released with interest. Smith asked Lauritsen to invest \$1,500,000 to effectuate the transfer. Smith provided Ankarlo with a February 22, 2008, letter purportedly from Patrick Ryan at RSB, indicating that Smith had agreed to transfer \$3,000,000 to Lauritsen and Ankarlo once the funds purportedly held by RSB on behalf of Smith were released.

8. Smith provided Lauritsen with what purported to be an RSB statement indicating Smith's balance to be \$59,348,848.50 as of February 21, 2008.

9. On March 11, 2008, respondent received an email from Lauritsen's attorney, James Burk. Burk stated in his email, "We understand Randy Smith is your client." Burk explained that his client, Lauritsen, had instructed him to wire transfer

\$500,000 to respondent and that the transfer was in accordance with an agreement "between our clients." Burk further stated that if the funds do not arrive in respondent's account by the close of business on March 13, 2008, when the funds did arrive, respondent would agree to return the \$500,000. Burk closed his email message by stating, "If these conditions are satisfactory, please respond affirmatively and we will affect the wire immediately."

10. One minute later, respondent responded to Burk's email stating that respondent agreed with the email's content.

11. Respondent did not correct Burk's unequivocal statement that Smith was respondent's client or otherwise notify Burk that respondent had no authority or ability to act independently of Smith's instruction. In fact, rather than correct statements by Burk, respondent affirmed Burk's statements.

12. On March 11 or 12, 2008, Burk wired \$500,000 to respondent's account. On March 12, 2008, Burk emailed respondent and instructed respondent to return the \$500,000. Respondent contacted Smith by email and stated, "Randy, I will need another email stating not to send the \$ back or else I will have to send it back today." Respondent returned the \$500,000 to Burk on March 13, 2008.

13. On March 24, 2008, Burk sent an email message to respondent indicating Lauritsen had instructed him to wire transfer \$1,500,000 to respondent. Again, Burk's email referred to Smith as respondent's client and that the transfer was in accordance with an agreement between "our clients."

14. Four minutes later, respondent again responded affirmatively to Burk's email. Respondent stated Burk's conditions were satisfactory. When asked for wire transfer instructions, respondent directed that the funds be sent to an account entitled "BJE Attorney Escrow Account."

15. Within minutes, Burk wire transferred \$1,500,000 to the "BJE Attorney Escrow Account" per the coordinates supplied by respondent. Shortly thereafter,

respondent forwarded Burk's email by blind copy to Castillo and informed Castillo of Lauritsen's \$1,500,000 transfer.

16. On March 25, 2008, contrary to the understanding of Lauritsen and Burk that the funds held in escrow by respondent were to be used to guarantee the release of Smith's funds from RSB, respondent disbursed, by wire transfer, \$1,500,000 to HSBC in Hong Kong, with the instructions that the funds be deposited to the account of Sheen Sincere Investment LTD. In the wire transfer request, respondent identified the name of his escrow account as "BJE, Inc. Att. Escrow."

17. In March 2008 Lauritsen and Ankarlo solicited James Garrick to invest in the Smith "insurance wrap" matter. Lauritsen and Ankarlo initially told Garrick that they needed \$400,000 to cover insurance premiums required by RSB to release Smith's \$59,000,000. Garrick agreed to invest his funds. Garrick and Lauritsen signed a promissory note guaranteeing Garrick the return of the \$400,000 principal, together with a promissory note for the 50% return on investment of \$200,000, to be paid in 30 days.

18. On March 20, 2008, Garrick, utilizing his business account for Golden Gem, LLC, had Charles Schwab wire \$400,000 to Burk for utilization in the "insurance wrap" matter. These funds were transferred to respondent's escrow account as part of the \$1,500,000 transferred by Burk on March 24 (*see* ¶ 15, above).

19. In early April 2008, Lauritsen contacted Garrick and stated that RSB had miscalculated the interest on Smith's account. Lauritsen solicited an additional \$1 million from Garrick. Garrick agreed to provide an additional \$500,000, but on the condition that Lauritsen return to him \$100,000 from the \$400,000 Garrick had already paid. Lauritsen did refund this \$100,000<sup>1</sup>. On April 3, 2008, Lauritsen again signed a

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<sup>1</sup> Lauritsen refunded Garrick the \$100,000 from funds he had received from Jack Ashford, a One Source Funding Group investor. Lauritsen was subsequently convicted of theft and securities fraud for this disbursement and other matters unrelated to the matters involving respondent.

promissory note to Garrick, this time for \$500,000 with a promissory note for the return on his investment of \$250,000 to be paid in 30 days.

20. On April 4, 2008, Garrick authorized the wire transfer of:

- \$154,000 from Garrick's "IRA rollover";
- \$150,000 from Garrick's home equity line of credit;
- \$130,000 from the James M. Garrick Trust account;
- \$50,000 from Golden Gem, LLC, a company held by Garrick; and
- \$16,000 from Garrick's "SEP-IRA."

These funds were all wired to respondent's Wells Fargo account entitled "BJE, Inc. Attorney Escrow Account."

21. Also on April 4, 2008, Smith sent an email message to respondent, with copies to Lauritsen and Ankarlo. The email message instructed respondent to wire \$1,015,000 to RSB. In separate emails on April 4, 2008, respondent "bcc'd" Castillo regarding the status of the funds collected. As of April 4, 2008, respondent did not yet have \$1,015,000 in his escrow account, having only the \$500,000 transferred by Garrick on April 4. As noted in paragraph 23 below, respondent did not wire any funds to RSB.

22. On April 7, 2008, Burk transferred an additional \$500,000 and Lauritsen personally transferred another \$15,000 into respondent's Wells Fargo account. This brought the total transferred by Lauritsen and Garrick to respondent's Wells Fargo account after March 25, 2008, to \$1,015,000.

23. On April 7, 2008, contrary to the understanding of Garrick, Lauritsen and Burk that the funds held in escrow by respondent were to be used to guarantee the release of Smith's funds from RSB, respondent disbursed, by wire transfer, \$1,015,000 to HSBC in Hong Kong, with the instructions that the funds be deposited to Sheen Sincere Investment LTD. In the wire transfer request, respondent identified the name of his escrow account as "BJE, Inc. Att. Escrow."

24. On April 11, 2008, Smith forwarded an email to respondent, Lauritsen and Ankarlo, purportedly confirming that RSB had a current account balance for Consolidated Works Industries, Inc. in the amount of approximately \$2,515,000. Respondent, however, knew that no funds had ever been wired to RSB on behalf of Consolidated Works Industries, Inc. Respondent knew instead that \$1,500,000 had been transferred to Sheen Sincere Investment, Ltd. at HSBC in Hong Kong on March 25 and that \$1,015,000 had been transferred to Sheen Sincere Investment, Ltd. at HSBC in Hong Kong on April 7.

25. On or around April 23, 2008, Smith shared with Lauritsen an April 15 email purportedly sent by RSB advising that they required the deposit of an additional \$746,186.70 in order to release Smith's funds.

26. On April 23, 2008, Burk sent respondent an email message and stated that Lauritsen had wired a total of \$2,000,000 to respondent and that another lender, James Garrick, had wired an additional \$500,000 to respondent (as noted above, the actual amounts wired to respondent's Wells Fargo account totaled \$2,515,000). Burk stated it was his understanding that no transactions had occurred and requested the return of his client's money.

27. A few minutes after receiving Burk's email, respondent emailed Smith stating, "Can you please deal with this? Please explain to all parties involved that I am not your attorney. I am only your escrow agent." By blind copy, respondent sent the email to Castillo.

28. No funds have been refunded to Lauritsen, OSFG, or Garrick with respect to the monies that were wire transferred to respondent.

Watson and Klima Money Leasing Matter

29. On October 8, 2008, Castillo entered into a "Lease and Private Placement Program Agreement" with Alan Watson and David Klima. Pursuant to the agreement, Watson and Klima would wire \$1,000,000 to respondent's escrow account. Castillo was

to then "lease" \$100,000,000 to Watson and Klima for use in trading. The \$100,000,000 was to remain in an account with HSBC. Watson and Klima could then trade investments against these "leased funds." The Lease and Private Placement Program Agreement promised estimated weekly returns on the trading of approximately \$10,000,000 per week.

30. Between October 9 and October 24, 2008, Watson and Klima transferred a total of \$1,000,000 to respondent's attorney escrow account.

31. On October 24, 2008, HSBC purportedly created a document stating that as of that date, Watson and Klima had a current cash deposit balance of \$100,000,000. On information and belief, this document is not legitimate.

32. For a myriad of reasons advanced by respondent and Castillo, Watson and Klima were kept from utilizing the leased funds. Profits were not forthcoming and Watson and Klima requested their funds be returned.

33. On September 17, 2009, attorney Harry Wise, an attorney retained on behalf of Watson and Klima, contacted respondent and demanded Watson and Klima's funds be restored. Respondent responded that, "I am awaiting information from my client regarding Mr. Watson's repayment." Wise asked respondent, "What information, exactly, are you waiting for?"

34. On September 29, 2009, respondent emailed Wise stating, "My client is in the process of finalizing arrangements for funds. Once completed, funds will be available for Mr. Watson's repayment within 2 weeks." No funds were ever repaid.

35. Respondent was named as a defendant in a civil lawsuit filed by Watson and Klima in federal court in the Northern District of California on April 1, 2010. That matter settled in April 2012 with respondent agreeing to pay \$20,000 to the plaintiffs.

36. Respondent's participation in and assistance in the fraudulent schemes perpetrated by Smith and Castillo violated Rules 1.2(d) and 8.4(c), Minnesota Rules of Professional Conduct (MRPC).

SECOND COUNT

Caravan Engineered Structures Matter

37. By late 2008, respondent was aware that funds held in his escrow account and wired pursuant to Smith's instruction were not used in the manner intended and that Lauritsen and Garrick had lost millions of dollars as a consequence. Respondent also knew that Castillo had played a role in those transactions in that he had copied Castillo in on certain emails with respect to the transactions (*see* ¶¶ 15 and 27, above).

38. In late 2008 and into 2009, respondent knew that the "money leasing" arrangement initiated by Castillo with respect to Watson and Klima had fallen through, that Watson and Klima had lost a million dollars and that use of his trust account had implicated him in their loss.

39. Klima and Watson filed ethics complaints with the Director on October 14, 2009, and on April 1, 2010, Klima and Watson filed a federal civil lawsuit naming respondent as a defendant.

40. Nonetheless, despite ongoing ethics investigations focused specifically on the use of his escrow account and demands being made for return of funds that he had received to be held in trust in his escrow account, respondent continued to facilitate Castillo's fraudulent transactions through the use of an attorney escrow account, as more fully described below.

41. On January 21, 2010, Caravan Engineered Structures, Inc. (Caravan) entered into an Engagement Contract with US Capital. William Junsung Park is the CEO of US Capital. US Capital acted as authorized agent for and/or representatives of Caravan. Heidi Yang is an associate of Park's and US Capital.

42. Per the January 21, 2010, agreement, Caravan agreed to wire \$1,200,000 to respondent's escrow account, referenced in the document as "BJE, Inc. Attorney Escrow," on January 25, 2010, to secure \$100,000,000 in financing. The agreement listed Jason [Chaesun] Jin as the Escrow Information Contact. In that agreement, US Capital

agreed to "arrange for financial instruments to raise One Hundred Million US Dollars (\$100,000,000) through private placements for the Participant in the most time-efficient manner possible." And that, "In the event that US Capital fails to provide first funding tranche within 60 days from the date of Firm Lending contract, the Participant will immediately be refunded \$1,200,000 US Dollars in its entirety."

43. On January 24, 2010, a Lease and Private Placement Program Agreement of the kind referenced in paragraph 29 above, was entered into. The nominal parties to the agreement were Caravan and JC Funding Solutions, Inc. The agreement required that funds be wired to respondent's Wells Fargo "Attorney Escrow Account." The agreement was signed by Castillo on behalf of JC Funding Solutions, Inc. and Chaesun Jin who purported to sign on behalf of Caravan. Caravan asserts that this agreement was entered into without their knowledge or authorization.

44. The January 24, 2010, agreement contained the following escrow instructions:

- a. Participant [Caravan] wire transfers One Million Two Hundred Thousand USD fee to the designated Attorney Escrow Account.
- b. Upon receipt of said fee, Attorney shall wire transfer one-half of the fees to the designated account of the Leasing Entity.
- c. Participant and Escrow Attorney will be provided a copy of the leased PoF [Proof of Funds].
- d. Upon receipt of the copy of PoF, JCF shall instruct the Escrow Attorney to wire transfer the remaining one-half of the fee to the designated account of the Leasing Entity.

45. On January 25, 2010, Caravan wired \$1.2 million to the BJE, Inc. Attorney Escrow Account referenced in both the Engagement Contract and the Lease and Private Placement Program Agreement.

46. On January 26, 2010, respondent transferred at least \$1,139,900 of the \$1.2 million received from Caravan out of the escrow account. Eight hundred twenty thousand dollars was transferred to an account at Banco Inburse, SA in Mexico; \$299,900 was transferred to Castillo's JPMorgan Chase account, and \$20,000 was transferred to a Business Market Rate savings account.

47. On January 27, 2010, respondent sent a letter on Brian J. Engel, Esq. stationery to Chaesun Jin, falsely stating, "This letter is to confirm our receipt of the 1.2M wire transfer for Caravan. The funds are now posted to the Escrow Account and the process of your application will begin." In fact, as noted above, the majority of the funds had already been disbursed and were no longer in the Escrow Account.

48. No later than February 9, 2010, the entire \$1.2 million that had been wire transferred to respondent's BJE, Inc. escrow account had been disbursed from that account, none of it in accord with the Engagement Contract or the Lease and Private Placement Program Agreement.

49. Park and Yang were repeatedly assured that Caravan's funds remained secured in respondent's attorney escrow account and that if the funding agreement fell through their money would be returned to them.

50. By April 2010, the \$100,000,000 in financing had not materialized. Caravan demanded their initial \$1,200,000 be returned. No funds have ever been refunded to Caravan nor was there ever any sort of financing arrangement made on behalf of Caravan.

51. On August 15, 2011, Caravan filed a federal civil lawsuit, naming respondent as one of multiple defendants. That matter remains open.

52. Respondent's disbursement of funds from his attorney escrow account contrary to the terms of the underlying escrow instructions of the parties to the transactions set forth above violated Rules 1.15(c)(4) and 8.4(c), MRPC.

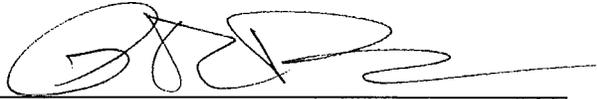
WHEREFORE, the Director respectfully prays for an order of this Court imposing appropriate discipline, awarding costs and disbursements pursuant to the Rules on Lawyers Professional Responsibility, and for such other, further or different relief as may be just and proper.

Dated: JULY 30, 2013.



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