

IN RE: HENRY E. KNOBLOCK, III

NO. BD-2019-103

S.J.C. Judgment Accepting Affidavit of Resignation as a Disciplinary Sanction entered by Justice Cypher on December 13, 2019, with an effective date of January 12, 2020.¹

The respondent resigned as a disciplinary sanction for misconduct involving misuse of trust funds with resulting deprivation.

SUMMARY²

This matter came before the Board of Bar Overseers and the Court on the respondent's affidavit of resignation pursuant to Supreme Judicial Court Rule 4:01, § 15. In the affidavit, the respondent acknowledged that he misappropriated certain investment funds that he had received in connection with a business venture for which he was serving as counsel.

In July 2011, the respondent joined a law firm in Wellesley, Massachusetts, as a non-equity partner. In early August 2011, the respondent was approached by certain individuals to assist them in attempting to acquire a company through a Bankruptcy Code § 363 sale. The debtor had filed a Chapter 11 petition in June 2011. The respondent agreed to serve as counsel for the venture.

One of the participants in the venture was a former director and officer of the bankrupt company who also held an unsecured claim against that company. This individual wished to retain the respondent as his private counsel to pursue his claim. On August 15, 2011, this individual made a wire transfer to the respondent in the amount of \$15,000 to serve as a retainer.

The account to which the individual sent the wire was the respondent's personal checking account, owned and controlled exclusively by him. It was not a "trust account" as defined in Mass. R. Prof. C. 1.15(a)(2) and was not designated as such for purposes of Mass. R. Prof. C. 1.15(e)(2).

After receiving the retainer, the respondent declined to represent the individual in pursuing his unsecured claim due to a conflict of interest. However, rather than returning the \$15,000 retainer, the respondent and the individual agreed to treat those funds as the latter's investment in the venture to purchase the company out of bankruptcy.

The \$15,000 entrusted to the respondent constituted "trust property" within the meaning of Mass. R. Prof. C. 1.15(a)(1). At no time did the respondent transfer such funds from his personal checking account into his law firm's IOLTA or other client trust account as required by Rule 1.15(b). The respondent subsequently received funds from other investors which he also failed to segregate from his personal funds.

¹ The complete order of the Court is available by contacting the Clerk of the Supreme Judicial Court for Suffolk County.

² Compiled by the Board of Bar Overseers based on the record filed with the Supreme Judicial Court.

After agreeing to treat the \$15,000 wire transfer as investment funds for the acquisition of the bankrupt company, the respondent used such funds for his own personal and family expenses, resulting in deprivation.

Based upon his admitted misuse and failure to segregate trust funds, the respondent acknowledged that bar counsel could prove by a preponderance of the evidence that he violated Rules 1.15(b), 1.15(c), 8.4(c), and 8.4(h) of the Massachusetts Rules of Professional Conduct.

The respondent was admitted to practice in the Commonwealth of Massachusetts on June 12, 1986. On November 1, 2019, he filed an affidavit of resignation.

On November 12, 2019, the Board of Bar Overseers voted to recommend that the affidavit of resignation be accepted as a disciplinary sanction. On December 13, 2019, the Supreme Judicial Court for Suffolk County accepted the affidavit of resignation as a disciplinary sanction, effective immediately.