

BEFORE THE HEARING BOARD
OF THE
ILLINOIS ATTORNEY REGISTRATION
AND
DISCIPLINARY COMMISSION

In the Matter of:

RAED A. SHALABI,

Attorney-Respondent,

No. 6290732.

Commission No. 2022PR00062

COMPLAINT

Jerome Larkin, Administrator of the Attorney Registration and Disciplinary Commission, by his attorney, Albert S. Krawczyk, pursuant to Supreme Court Rule 753(b), complains of Respondent, Raed A. Shalabi, who was licensed to practice law in the State of Illinois on November 9, 2006, and alleges that Respondent has engaged in the following conduct which subjects Respondent to discipline pursuant to Supreme Court Rule 770:

COUNT I

*(Conflict of Interest in Buying the Foreclosed Home
of his Clients Jafar and Wafiqah Khalil)*

1. At all times alleged in this disciplinary complaint, Respondent was the principal of the law firm of Raed Shalabi, Ltd., which had its primary place of business in Palos Heights, Illinois.

2. At various times, Respondent shared profits from real estate transactions involving AH & Group, Inc., also known as AH & Group (“AH & Group”), a real estate investment company, incorporated under the laws of the State of Indiana in 2014 and administratively dissolved by the Indiana Secretary of State on February 6, 2021.

3. On March 4, 2013, the Bank of New York Mellon, by its attorneys, filed a complaint to foreclose mortgage, and, on March 23, 2015, a first amended complaint to foreclose

mortgage, against Jafar I. Khalil and Wafiqah M. Khalil (the “Khalils”) and others, in the Circuit Court for the Twelfth Judicial Circuit, Will County, in connection with the Kahlils’ home at 812 Lisdowney Drive, in Lockport, Illinois (“Lockport property”), in the matter entitled *The Bank of New York Mellon et al. vs. Jafar I. Khalil et al.*, case number 2013CH000948.

4. On June 29, 2015, the court in case number 2013CH000948 entered an order of default and a judgment of foreclosure and sale against the Khalils and others.

5. On October 1, 2015, the Bank of New York Mellon purchased the Lockport property at a judicial sale conducted by the Auctioneer of Will County, for the sum of \$307,000.

6. On or about October 6, 2015, Respondent and Jafar Khalil agreed in writing that Respondent would represent the Khalils in connection with the “Foreclosure/Eviction” matter involving the Lockport property for a flat fee of \$6,000. At that time, Respondent advised Jafar Khalil that Respondent could keep the Khalils in the Lockport property for at least 10 months, or until about August 2016. Jafar Khalil paid \$3,000 to Respondent and, in or about November 2015, an additional \$3,000.

7. At no time did Respondent file an appearance on behalf of the Khalils in case number 2013CH000948.

8. On October 16, 2015, the Sheriff of Will County filed a report of sale and distribution of the Lockport property to the Bank of New York Mellon, and, on October 26, 2015, the court in case number 2013CH000948 entered an order confirming the foreclosure sale of the property.

9. On November 13, 2015, the Auctioneer of Will County issued a Sheriff’s sale deed transferring and conveying the Lockport property to the Bank of New York Mellon.

10. In or about March 2016, while Respondent continued to represent them, the Khalils learned that the Bank of New York Mellon had listed the Lockport property for sale on an online auction site and contacted Respondent about staying in their home and regaining ownership of the Lockport property. At or about that time, Jafar Khalil informed Respondent that he could not afford to purchase the property, and Respondent and Jafar Khalil agreed that Respondent would offer to buy the property, lease the property to the Khalils, and resell the property to the Khalils under their son's name in exchange for the Khalils' agreement to immediately pay \$5,000 to Respondent, and then pay an additional amount equal to 15% of the purchase price to Respondent as a fee for the transaction. Thereafter, pursuant to their agreement, the Khalils paid \$5,000 to Respondent.

11. In March 2016, Respondent entered into a written agreement to purchase the Lockport property from the Bank of New York Mellon or its authorized agent, under his firm name Raed Shalabi, Ltd., for the purchase price of \$251,000, together with earnest money of \$7,530, or a total amount of \$262,594, and, on May 2, 2016, the bank issued a special warranty deed transferring and conveying the property to Raed Shalabi, Ltd.

12. In or before September 2016, the Khalils paid \$46,500 to Respondent as a fee for the transaction between Respondent and the Khalils, that Respondent agreed would be credited towards the Khalils' purchase of the Lockport property from Respondent. The Khalils subsequently wired-transferred an additional amount of \$45,000 to Respondent and made payments of \$9,647.66 and \$10,000 to Respondent towards the Khalils' purchase of the property from Respondent.

13. At no time did Respondent advise the Khalils that, in relation to his purchase of the Lockport property on their behalf, his interests conflicted with the Khalils' interests.

14. At no time did Respondent fully disclose and transmit in writing the terms on which he, by Raed Shalabi, Ltd., was acquiring and agreeing to resell the Lockport property, to the Khalils in a manner that could be reasonably understood.

15. At no time did Respondent inform the Khalils in writing that they were entitled to seek the advice of independent legal counsel and at no time did he give them a reasonable opportunity to do so, in relation to Respondent's agreement with the Khalils.

16. At no time did Respondent obtain the Khalils' consent, in a writing signed by the Khalils, to the essential terms of the transaction, by which he, by Raed Shalabi, Ltd., agreed to purchase and resell the Lockport property to the Khalils, and to Respondent's role in the transaction, including whether he was representing them in the matter.

17. Beginning in June 2016, the Khalils paid rent to Respondent in the amount of \$1,500 per month to continue to reside at the Lockport property. In 2017, Respondent increased the rent to \$2,000 and then to \$2,500 per month, and the Khalils continued to pay rent to Respondent until at least 2020.

18. On August 29, 2018, Respondent, on behalf of Raed Shalabi, Ltd., executed a quit claim deed without the Khalils' knowledge, transferring and conveying the Lockport property to AH & Group.

19. On September 26, 2018, AH & Group, by its president, Ali Hamdan ("Hamdan"), executed a quit claim deed transferring and conveying the Lockport property from "AH & Group" to "AH & Group, Inc.," and on or about that date, AH & Group, by Hamdan, borrowed \$264,700 pursuant to a promissory note to TVC Funding II, LLC ("TVC Funding"), secured by a mortgage recorded against the Lockport property.

20. On October 2, 2019, TVC Funding, by its attorneys, filed a complaint, and, on July 23, 2020, an amended complaint, to foreclose mortgage against AH & Group and others in the Circuit Court for the Twelfth Judicial Circuit, Will County, in connection with the Lockport property, in the matter entitled *TVC Funding IV, LLC vs. AH & Group, Inc. et al.*, case number 2019CH001455, alleging that the mortgagors were in default for the monthly payments from May 1, 2019 through the date of filing.

21. On October 27, 2020, the court in case number 2019CH001455 entered an order of default, and a judgment of foreclosure and sale against AH & Group and Hamdan.

22. On November 5, 2020, the Khalils received a notice posted on the door of the Lockport property inquiring as to the occupancy of the property, and, on or about that time, after the Khalils contacted Respondent about the notice, he advised them for the first time that the property had been sold to AH & Group.

23. On April 28, 2021, the Khalils, by new attorneys, filed a complaint, and, on June 29, 2022, a first amended complaint, for breach of fiduciary duty, breach of contract and other relief against Respondent and Raed Shalabi, Ltd. in connection with the Lockport property, in the Circuit Court of Cook County, in the matter entitled *Jafar Khalil et al. vs. Raed Shalabi et al.*, case number 2021L004337.

24. On November 30, 2021, the court in case number 2019CH001455 entered an amended or corrected judgment of foreclosure in the case.

25. On March 18, 2022, the Sheriff of Will County filed a report of sale and distribution in case number 2019CH001455 of the Lockport property to TVC Funding, and, on April 29, 2022, the court in the case entered an order confirming the foreclosure sale of the property and directing the Sheriff of Will County to evict and dispossess AH & Group and Hamdan from the premises.

26. By reason of the conduct described above, Respondent has engaged in the following misconduct:

- a. representing a client when there is a significant risk that the representation of the client will be materially limited by a personal interest of the lawyer, by conduct including purchasing the Khalils' foreclosed Lockport property under his firm's name while he was representing the Khalils in connection with their efforts to remain at the property and regain ownership, in violation of Rule 1.7(a)(2) of the Illinois Rules of Professional Conduct (2010);
- b. knowingly acquiring an ownership, possessory, security or other pecuniary interest adverse to the client, by conduct including purchasing the Khalils' foreclosed Lockport property under his firm's name while he was representing the Khalils, without informing the client in writing that the client may seek the advice of independent legal counsel and have a reasonable opportunity to do so, and without obtaining the informed consent of the client, in a writing signed by the client, to the essential terms of the transaction and the lawyer's role in the transaction, including whether the lawyer is representing the client in the matter, in violation of Rule 1.8(a) of the Illinois Rules of Professional Conduct (2010); and
- c. conduct involving dishonesty, fraud, deceit or misrepresentation, by conduct including failing to advise the Khalils that legal title to the Lockport property had been conveyed to AH & Group and by continuing to charge and accept rent payments from the Khalils in connection with the property after his firm no longer owned the property, in violation of Rule 8.4(c) of the Illinois Rules of Professional Conduct (2010).

COUNT II

(Unauthorized Practice of Law in Connection with Tamer Jaraba's Federal Civil Forfeiture Proceedings)

27. On November 18, 2015, an Illinois State Police trooper and a police officer from Chatham, Illinois, working in cooperation with the United States Drug Enforcement Agency, seized \$26,625 in cash from a vehicle driven by Tamer Jaraba ("Jaraba") during a traffic stop on Interstate 55 in Sangamon County. At or about that time, Jaraba was doing business through a

Missouri corporation called Untouchable, Inc., supplying novelty items to operators of gasoline stations, convenience stores and similar enterprises.

28. On April 8, 2016, the United States Attorney filed a verified complaint in the United States District Court for the Central District of Illinois, for forfeiture of the \$26,625 in cash seized from Jaraba's vehicle, in the matter entitled *United States of America vs. \$26,625.00 in U.S. Currency*, case number 16-3104, alleging that the government believed that the defendant property constituted proceeds traceable to the exchange of controlled substances.

29. On April 18, 2016, the court in case number 16-3104 allowed the government's motion to stay and seal the case, and, on January 8, 2018, the court lifted the stay and ordered the case unsealed. Thereafter, on January 11, 2018, the government filed notices of civil forfeiture action directed to Jaraba and Untouchable, Inc., setting out deadlines to file a claim to the defendant property and to file an answer to the complaint or motion pursuant to federal court rules.

30. In or about January 2018, Respondent and Jaraba agreed that Respondent would represent Jaraba and file a claim to seek the return of the funds involved in case number 16-3104 for a flat fee of \$2,500. At or about that time, Respondent received \$2,500 from Jaraba.

31. At all times alleged in this count of this disciplinary complaint, Local Rule 83.5(G) of the United States District Court, Central District of Illinois, provided, as follows:

All attorneys who appear in person or by filing pleadings in this court must be admitted to practice in this court in accordance with this Rule. Only attorneys so admitted may practice or file pleadings in this court. Except as provided in Local Rule 83.5(F) [Admission Pro Hac Vice], upon entry of appearance as an attorney of record, the entry of appearance must include a certification that the attorney is a member in good standing of the bar of this court.

Any person who, before his or her admission to the bar of this court, or during his or her suspension or disbarment, exercises in this district any of the privileges of a member of the bar in any action or proceedings pending in this court, or who pretends to be entitled to do so, may be adjudged guilty of contempt of court and appropriately sanctioned.

32. At all times alleged in this count of this disciplinary complaint, Local Rule 83.5(F) of the United States District Court, Central District of Illinois, provided, as follows:

The Court does not permit *pro hac vice* admissions generally. At the discretion of the presiding judge, an attorney who is duly licensed to practice in any state or the District of Columbia may file a motion seeking leave to participate in a case while his or her application for admission to practice in the Central District of Illinois is pending. The application for admission must be submitted contemporaneously with the motion for leave.

33. At no time was Respondent admitted to the practice of law in the United States District Court for the Central District of Illinois, and at no time did he seek admission to practice in the Central District of Illinois or enter an appearance or seek *pro hac vice* admission to the court in case number 16-3104.

34. On February 13, 2018, Respondent caused a claim signed by Jaraba on February 9, 2018, to be filed in case number 16-3104. The claim was prefaced, “Now comes Tamer Jaraba by his attorneys, Raed Shalabi Ltd.” and stated that Jaraba was claiming ownership of the defendant property in the case.

35. At no time before February 13, 2018, did Respondent check the local rules of the United States District Court, Central District of Illinois, to determine the requirements to practice before that court or review the applicable statutes to determine the requirements to file a claim and answer to the complaint in case number 16-3104.

36. On June 11, 2018, the government filed a motion to strike the claim filed by Jaraba and a motion for entry of a default against Untouchable, Inc. and potential claimants in case number 16-3104, alleging that the claim caused by Respondent to be filed on behalf of Jaraba was not verified as required by federal rules, that Jaraba had not filed the required answer to the

complaint in the forfeiture proceeding, and that Untouchable, Inc. had not filed a claim or an answer.

37. On September 17, 2018, Respondent caused an answer to the complaint to be filed, and, on September 18, 2018, a motion to deny the government's motion to strike Jaraba's claim in case number 16-3104. The pleadings were electronically signed by Respondent as "Attorney for Tamer Jaraba."

38. On September 24, 2018, the court in case number 16-3104 entered a text order, stating as follows:

Claimant Tamer Jaraba has filed an Answer to Complaint and a Motion to Deny Plaintiff's Motion to Strike. However, these documents are signed by Claimant's attorney, Raed Shalabi, who is not admitted to practice in this district and has not entered his appearance in this case. Accordingly, the Court STRIKES Claimant's Answer to Complaint and Motion to deny Plaintiff's Motion to Strike. The Clerk is DIRECTED to send a copy of this text order to Claimant and Claimant's attorney.

39. At no time before September 24, 2018, did Respondent disclose to Jabar that he was not admitted to United States District Court for the Central District of Illinois and not authorized to appear or file pleadings in case number 16-3104.

40. On September 24, 2018, the court in case number 16-3104, having determined that the one claimant (Jaraba) had not filed an answer within the time prescribed by federal rules and that the time for filing claims and answers had expired, entered an order of default against Untouchable, Inc. and other potential claimants.

41. On September 27, 2018, the government filed a motion for default judgment against Untouchable, Inc. and other potential claimants in case number 16-3104.

42. On January 18, 2019, Respondent caused a second answer to the complaint to be filed on behalf of Jaraba in case number 16-3104, and, on January 30, 2019, the government filed a motion to strike the second answer filed on behalf of Jaraba. The answer that Respondent caused

to be filed on January 18, 2019, contained the same averments as the answer stricken by the court on September 24, 2018, and was electronically signed by Respondent as “Attorney for Tamer Jaraba.”

43. On April 18, 2019, the court in case number 16-3104 entered a text order, stating as follows:

The Government’s Motion to Strike Claimant’s Second Answer is GRANTED. For the reasons stated by the Court in the text order entered on September 24, 2018, granting the Government’s Motion to Strike Claim Filed by Tamer Jabara and Motion for Entry of Default Against Defendant, Untouchable, Inc., and Potential Claimants, the Court STRIKES Claimant’s Answer to Complaint.

44. On April 26, 2019, the court in case number 16-3104 entered a judgment, ordering and adjudging that the defendant property, \$26,625, was forfeited to the United States of America.

45. By reason of the conduct described above, Respondent has engaged in the following misconduct:

- a. failing to provide competent representation to a client, by conduct including Respondent’s failure to employ the requisite legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation of Tamer Jaraba to determine the requirements to practice before that court, and to determine the requirements to file a claim and answer to a complaint in case number 16-3104, in violation of Rule 1.1 of the Illinois Rules of Professional Conduct (2010);
- b. failing to explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation, by conduct including not advising Tamer Jaraba for over eight months that Respondent was not admitted to United States District Court for the Central District of Illinois and not authorized to appear or file pleadings in case number 16-3104, in violation of Rule 1.4(b) of the Illinois Rules of Professional Conduct (2010);

- c. knowingly disobeying an obligation under the rules of a tribunal, by conduct including causing a second answer to a complaint to be filed in the United States District Court for the Central District of Illinois where he was not admitted to the practice of law, after the court had stricken the first answer and a motion that Respondent caused to be filed, because Respondent was not admitted to practice in the Central District of Illinois and had not entered his appearance in case number 16-3104, in violation of Rule 3.4(c) of the Illinois Rules of Professional Conduct (2010);
- d. using means that have no substantial basis other than to delay or burden a third person, by conduct including causing a second answer to a complaint, electronically signed by Respondent as the attorney for Tamer Jaraba, to be filed that was substantially the same as the first answer after the court had stricken the first answer because Respondent was not admitted to practice in the Central District of Illinois and had not entered his appearance in case number 16-3104, in violation of Rule 4.4(a) of the Illinois Rules of Professional Conduct (2010); and
- e. practicing law in a jurisdiction in violation of the regulation of the legal profession in that jurisdiction, by conduct including causing pleadings to be filed in the United States District Court for the Central District of Illinois where he was not admitted to the practice of law, in violation of Rule 5.5(a) of the Illinois Rules of Professional Conduct (2010).

COUNT III

(Attempting to Release Respondent's Liability and to Limit a Client's Right to Pursue an ARDC Complaint in Connection with his Representation of Tamer Jaraba)

- 46. The Administrator realleges the facts set forth in paragraphs 27 through 44 of Count II, above.
- 47. In or before May 2019, Respondent advised Jaraba that he was willing to refund the \$2,500 that he received from Jaraba.
- 48. On June 1, 2019, at Respondent's request, Jaraba signed a document prepared by Respondent entitled "Re: Currency held at Central District of Illinois Case #16-3104." The document ("Release") stated, as follows:

KNOW ALL BY THESE PRESENTS:

That the undersigned being of lawful age, for sole consideration of Two Thousand Five Hundred (\$2,500) to be paid to Tamer Jaraba do/does hereby and for my/our, its heirs, executors, administrators, successors and assigns release, acquit and forever discharge RAED SHALABI AND THE LAW OFFICES OF RAED SHALABI LTD. and their agents, servants, successors, heirs, executors, administrators and all other persons, forms, corporations, associations or partnerships of any and all claims, actions, causes of action, demand, rights, damages, costs, loss of service, expenses and compensations whatsoever, which the undersigned now has/have or which may hereafter accrue on account of or in any way growing out of any and all known and unknown, consequences thereof resulting or to result from the case of Tamer Jaraba in the Central District of Illinois. It is understood and agreed that this settlement is the compromise of a doubtful and disputed claim and that the payment is not to be construed as an admission of liability on the part of the party or party hereby releases, and that said released parties deny liability and intend merely to avoid litigation and buy their peace. The undersigned further declare(s) and represent(s) that no promise, inducement or agreement not herein expressed has been made to the undersigned, and that this Release contains the entire agreement between the parties hereto, and that the terms of this Release are contractual and not a mere recital. Tamer Jaraba also agrees not to file a complaint wit (sic) the ARDC from any actions that arise out of this matter.

49. On or about June 1, 2019, Respondent paid a total of \$2,500 to Jaraba and told Jaraba that he would not perform any more work on Jaraba's behalf. Thereafter, Respondent did not answer or return any calls from Jaraba.

50. At no time did Respondent advise Jaraba in writing to seek independent advice of counsel, nor did he give Jaraba reasonable opportunity to seek the advice of independent legal counsel concerning Respondent's payment of \$2,500 in exchange for releasing Respondent from liability in connection with Jaraba's potential claims against him and his firm.

51. At no time was Jaraba independently represented by counsel with respect to the Release signed at Respondent's request.

52. In or about November 2019, Jaraba retained attorneys other than Respondent to represent him and his businesses in connection with matters relating to case number 16-3104.

53. On November 20, 2019, Jaraba's attorneys sent a letter to Respondent, enclosing an authorization from Jaraba, requesting that Respondent return his complete file on the civil forfeiture matter in case number 16-3104, to them.

54. Respondent did not respond to the November 20, 2019, letter, and, on December 19, 2019, Jaraba's attorneys sent another letter to Respondent, requesting Jaraba's file, and, as of January 2021, Respondent did not provide any records to Jaraba's attorneys.

55. On January 13, 2021, Jaraba, by his attorneys, filed a complaint in the Circuit Court of the Seventh Judicial Circuit, Sangamon County, Illinois, on behalf of Jaraba and his limited liability companies, in the matter entitled *Tamer Jaraba et al. vs. Raed Shalabi*, case number 2021-LM-000028, alleging that Respondent engaged in professional negligence constituting legal malpractice in relation to the civil forfeiture matter in case number 16-3104.

56. On January 19, 2021, Respondent was personally served with the complaint and a summons in case number 2021-LM-000028, but as of March 19, 2021, Respondent had not filed an appearance or otherwise plead in the case, and the court entered an order of judgment by default against Respondent.

57. As of June 16, 2021, Respondent had not filed a motion to reconsider or a motion to vacate the March 19, 2021, order of judgment by default in case number 2021-LM-000028, and the court entered a judgment order in the amount of \$26,625 for damages, \$33,985 for attorney's fees and \$1,000.09 for filing fees and reasonable expenses, or a total of \$61,610.09 against Respondent.

58. On July 15, 2021, Respondent caused to be filed a *pro se* appearance and a motion to vacate the default judgment order in case number 2021-LM-000028.

59. On July 26, 2021, Jabara, by his attorneys, filed a memorandum in opposition to Respondent's motion to vacate default judgment order in case number 2021-LM-000028, and, on August 25, 2021, Respondent filed a response stating that he attempted to participate by telephone in a court hearing before the judgment was entered on June 16, 2021, but was denied by the court, and that he had valid defenses to Jaraba's claim. Respondent attached a copy of the Release signed by Jaraba on June 1, 2019, to his response and claimed that Jaraba took \$2,500 and was "now trying to pull a wool over the Court's eyes."

60. On August 27, 2021, Jabara, by his attorneys, filed a reply to Respondent's response in case number 2021-LM-000028, raising Respondent's improper conduct in "procuring the purported release."

61. On October 8, 2021, the court in case number 2021-LM-000028 denied Respondent's motion to vacate the default judgment, filed on July 15, 2021.

62. On June 13, 2022, the Illinois Appellate Court in Appellate Court case number 4-22-0458 denied Respondent's motion for leave to file a late notice of appeal and dismissed the appeal from the judgment in case number 2021-LM-000028.

63. By reason of the conduct described above, Respondent has engaged in the following misconduct:

- a. making an agreement prospectively limiting the lawyer's liability to a client for malpractice when the client is not independently represented in making the agreement, by conduct including causing Tamer Jabara to sign the release dated June 1, 2019, which included a purported release of claims which might accrue after the date of the release, when he was not independently represented in making the agreement, in violation of Rule 1.8(h)(1) of the Illinois Rules of Professional Conduct (2010);

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