

**People v. Lee D. Weinstein. 16PDJ001. January 7, 2016.**

The Presiding Disciplinary Judge approved the parties' conditional admission of misconduct and publicly censured Lee D. Weinstein (Attorney Registration Number 07972) on January 7, 2016.

Weinstein co-owned US Capital, Inc., with John Koral. The business made commercial loans at above-market rates to borrowers who could not obtain traditional bank financing. US Capital obtained the funds for its loans from investors, to whom US Capital executed promissory notes. When borrowers defaulted on loans, US Capital foreclosed and took title to the borrowers' properties, and then tried to sell the properties to recover the value of the loans. US Capital formed separate LLCs for individual properties to which it took title in order to avoid potential liabilities.

After the 2008 economic downturn, US Capital foreclosed on many properties on which borrowers could not make mortgage payments. But US Capital was unable to sell the properties and began to experience cash flow problems. Around April 2009, Weinstein and Koral assigned the interest in one of the LLCs as collateral to secure Koral's personal debt. This assignment was not contemporaneously disclosed to US Capital investors. Between June 2009 and July 2010, Weinstein sought to modify investors' promissory notes without informing all the investors of the LLCs' formation and the use of US Capital property to secure Koral's personal debt. These modifications constituted securities under the Colorado Securities Act. Weinstein informed investors about the formation of the LLCs in November 2010 and about the use of US Capital property to secure Koral's personal debt in August 2010.

In November 2011, a group of investors filed for involuntary bankruptcy on behalf of US Capital. The Securities Commissioner filed a complaint against Weinstein, Koral, and US Capital, alleging they had engaged in securities fraud. In June 2015, Weinstein stipulated to the entry of a permanent injunction against him and the entry of judgment in favor of the Securities Commissioner for \$1.75 million, joint and several with Koral and US Capital.

By soliciting modifications to investors' promissory notes without informing the investors about the use of US Capital property to secure Koral's personal debt, Weinstein violated Colo. RPC 8.4(c) (a lawyer shall not engage in conduct involving dishonesty, fraud, deceit, or misrepresentation). Public censure is the presumptive sanction under the *ABA Annotated Sanctions for Imposing Lawyer Sanctions* for a lawyer's dishonest acts, such as Weinstein's, that are not directly related to the practice of law but that reflect character issues.