

# Legal Professional: Attorney guilty of misappropriating clients' funds

A lawyer in Orange County, California, has pleaded guilty to the misappropriation of more than USD 2 million awarded to claimants in a class action suit.

Sandeep Baweja, 39, of Irvine, California, is charged with one count of wire fraud and one count of obstruction of justice and has entered into a plea agreement with Federal law enforcement officers.

Baweja was the sole proprietor of Baweja Law Group (BLG), which was based in Los Angeles until August 2008 when BLG relocated to Irvine.

According to court documents, Baweja filed a class action on behalf of current and former real estate agents of ZipRealty, Inc. in May 2007. The complaint filed in United States District Court in Santa Ana (*Lubocki, et al. v. ZipRealty, Inc.*, SA CV07-2959-SJO) alleged that ZipRealty denied class members certain sales commissions, refused to reimburse business expenses, and made unlawful wage deductions. In autumn 2007, Baweja reached a settlement with ZipRealty in which the company agreed to pay USD3.55 million to compensate class members and to pay for attorney's fees and other costs. On 10 March, 2008, United States District Judge S. James Otero finalised the judgment in the case, which prompted ZipRealty to pay the USD3.55 million settlement, a quarter of which went to attorney's fees for Baweja and his co-counsel. Baweja's share of the attorney's fees was USD660,000. The balance of the settlement – approximately USD2,525,000 – was to be paid to approximately 800 class member claimants on a pro rata basis.

After the settlement money was deposited into a bank account that Baweja controlled on behalf of the class, Baweja set up his own online stock brokerage account and began transferring most of the settlement proceeds into that trading account. Although he had no experience as a trader in the stock market, Baweja used the misappropriated funds to day trade securities on margin. During the course of the scheme, Baweja concealed his activity from class member claimants entitled to the money, Judge Otero, an administrator hired to oversee processing claims, his co-counsel, and ZipRealty and its attorneys. By December 2008, the value of Baweja's stock account had shrunk to approximately USD55,000, meaning that Baweja had lost virtually all of the settlement money that he had held in trust for his clients.

After ZipRealty paid the settlement, claimants to the money began complaining that they were not receiving their portions of the settlement. ZipRealty brought the matter to the attention of Judge

Otero, and Baweja responded by telling the court that he was making disbursements from the settlement. However, Baweja failed to tell the court that about USD121,500 of the settlement had been disbursed to only 46 of the approximately 800 claimants and that the delay in distribution of the settlement was due primarily to lack of funds caused by Baweja's unsuccessful day trading activities.

In December 2008, Baweja self-reported to the court and to law enforcement authorities that he had lost his clients' money.

Baweja will appear in court later this month.