

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

In the Matter of:

PHILIP CHOW,

Attorney-Respondent,

No. 6186695.

Commission No. 2025PR00045

COMPLAINT

Lea S. Gutierrez, Administrator of the Attorney Registration and Disciplinary Commission, by her attorney, Rachel C. Miller, pursuant to Supreme Court Rule 753(b), complains of Respondent, Philip Chow ("Respondent"), who was licensed to practice law in Illinois on May 10, 1984, and alleges that Respondent has engaged in the following conduct which subjects him to discipline pursuant to Supreme Court Rule 770:

COUNT I

*(Failure to communicate with a client and
failure to promptly distribute client funds)*

1. At all times alleged in this complaint, Respondent operated as a sole practitioner in Chicago. He concentrated his practice in providing legal services to businesses.

2. On November 11, 1995, Respondent opened a trust account ending in 0004 at Royal Business Bank ("Respondent's client trust account") to hold funds for clients and third persons. Respondent was the sole signatory on the trust account, which was titled "Philip Chow, Attorney at Law Lawyers Trust Fund of Illinois."

3. Prior to August 11, 2020, Respondent and a man with the initials "S.W." agreed that Respondent would represent S.W. in the sale of S.W.'s business *pro bono*, and that

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Respondent would file any necessary documents with taxing authorities, including but not limited to filing a “CBS-1 Notice of Sale, Purchase, or Transfer of Business Assets” (“CBS-1 form”) with the Illinois Department of Revenue (“Department of Revenue”). Respondent and S.W. further agreed that Respondent would hold any escrowed tax funds relating to the sale of S.W.’s business in Respondent’s client’s trust account until Respondent received a release from the Department of Revenue, at which time Respondent would return that money to S.W.

4. At all times alleged in this complaint, the Illinois Income Tax Act, Chapter 35, Section 5/902, required that a Bulk Sales Stop Order be issued where:

“[a] seller or transferor, or the purchaser or transferee, at least 10 business days before the date of the sale or transfer [of the stock of goods which he is engaged in the business of selling, the furniture or fixtures, the machinery and equipment, or the real property of a business], may notify the [Department of Revenue] of the intended sale or transfer and request the [Department of Revenue] to make a determination as to whether the seller or transferor owes any tax, penalty or interest due under this Act. The Department shall take such steps as may be appropriate to comply with such request.

Any order issued by the [Department of Revenue] pursuant to this Section to withhold [taxes] from the purchase price shall be issued within 10 business days after the [Department of Revenue] receives notification of a sale as provided in this Section.”

5. Prior to August 11, 2020, Respondent submitted the CBS-1 form to the Department of Revenue. The form stated that S.W. intended to sell his business on August 18, 2020, to a purchaser with the initials “Z.W.” for \$38,000.

6. On August 11, 2020, after receiving the CBS-1 form from Respondent, the Department of Revenue issued a Notice of Stop Order that required \$11,116.38 be held in escrow pending payment of all taxes through the sale date of S.W.’s business. Respondent received the Notice of Stop Order on or about August 11, 2020.

7. On August 18, 2020, the sale of the business closed. On August 20, 2020, S.W. gave a check to Respondent for \$11,116.38, the amount stated in the Department of Revenue's Notice of Stop Order, for Respondent to hold in escrow for potential taxes.

8. On March 4, 2021, the Department of Revenue sent a Release of Stop Order Bulk Sales to Respondent pertaining to the potential tax liability incurred by the sale of S.W.'s business, described in paragraph six, above. The release stated that the Department of Revenue was releasing the "Bulk Sales Stop Order that [it] issued on the purchase of the business...." The release was a declaration by the Department of Revenue that S.W. did not owe taxes from the sale and the \$11,116.38 that S.W. provided to Respondent to hold in Respondent's client trust account could be returned to S.W.

9. At various times between March 4, 2021, and September 25, 2024, S.W. requested that Respondent provide an update on the status of the notice of stop order. During that time, Respondent did not notify S.W. that Respondent had received a release on the stop order.

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

- a. failure to promptly distribute all portions of funds as to which interests are not in dispute, by conduct including failing to return \$11,116.38 in escrowed funds to S.W. between March 4, 2021, and December 5, 2024, in violation of Rule 1.15(f) of the Illinois Rules of Professional Conduct (2010).

COUNT II

(Conversion of at least \$11,116.38 in client funds without authorization)

11. The Administrator realleges and incorporates paragraphs one through nine, above.

12. On August 20, 2020, Respondent deposited a check in the amount of \$11,116.38 in his client trust account, which represented S.W.'s funds for potential tax liability related to the sale of S.W.'s business. As of February 29, 2024, Respondent had not received any authorization from S.W. to disburse any portion of S.W.'s funds. Therefore, as of February 29, 2024, Respondent was required to maintain at least \$11,116.38 in his client trust fund on behalf of S.W.

13. Between February 29, 2024, and May 31, 2024, Respondent drew down the balance in his client trust account to \$1,803.52 and deposited the funds into his business checking account ending in 0214 ("business checking account") at Royal Business Bank. Respondent used the funds for business and personal purposes, including paying office credit card bills and telephone bills.

14. On June 28, 2024, Respondent withdrew the remaining balance of \$1,803.52, deposited the funds into his business checking account, and closed the trust account.

15. Between February 29, 2024, and June 29, 2024, Respondent used \$11,116.38 belonging to S.W. for Respondent's own business or personal purposes, without authority from S.W. Respondent's use of those funds constitutes conversion.

16. At the time Respondent engaged in the conversion of those funds, Respondent knew he was using the funds for his own personal or business purposes, and in doing so, he acted dishonestly.

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

- a. failure to hold property of clients or third persons that is in the lawyer's possession in connection with a representation separate from the lawyer's own personal property, by conduct including, causing the balance of trust account

0004 to fall to \$0 on June 29, 2024, by converting \$11,116.38. in funds belonging to S.W. for his own business or personal purposes, in violation of Rule 1.15(a) of the Illinois Rules of Professional Conduct (2010); and

- b. conduct including dishonesty, fraud, deceit, or misrepresentation, by conduct including knowingly using at least \$11,116.38. in funds belonging to S.W. for his own business and personal purposes, without authorization, in violation of Rule 8.4(c) of the Illinois Rules of Professional Conduct (2010).

WHEREFORE, the Administrator requests that this matter be assigned to a panel of the Hearing Board, that a hearing be held, and the panel make findings of fact, conclusions of fact and law, and a recommendation for such discipline as is warranted.

Respectfully submitted,

Lea S. Gutierrez, Administrator
Attorney Registration and
Disciplinary Commission

By: /s/ Rachel C. Miller
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