



Christine O. Gregoire

# ATTORNEY GENERAL OF WASHINGTON

905 Plum Street Bldg 3 • PO Box 40100 • Olympia WA 98504-0100

February 12, 1996

Mr. Douglas A. Schafer  
1019 Pacific Avenue  
P.O. Box 1134  
Tacoma, WA 98401

Re: Charles C. Hoffman Trust

Dear Mr. Schafer:

Thank you for allowing me to review the documents you provided regarding the referenced trust. This letter is to let you know my reaction after reviewing the materials.

You called the referenced trust to my attention based upon your belief that there may have been some impropriety on behalf of the former trustee of the trust created by the will of Charles C. Hoffman. After reviewing the matter, this does not appear to be the type of issue in which this office has traditionally become involved, and it appears to me that the beneficiary is in a far better position to determine whether there is any matter worthy of being pursued.

Mr. Hoffman's will established a life trust in favor of his former wife, Mildred Hoffman. Pursuant to his will, all of his estate was devised to the trust. Will, art. III, ¶ 1. Mr. Hoffman's attorney, Grant Anderson, was named as trustee. Id.

The trustee was authorized to distribute money from the trust, out of either principal or income, to Mrs. Hoffman during her lifetime. Will, art. IV, ¶ 1. Upon her death, the remaining trust corpus was to be distributed ten percent to Mr. Hoffman's son and ninety percent to the Pacific County Hospital District, for the benefit of Ocean Beach Hospital in Ilwaco. Will, art. IV, ¶ 2.

The trust assets included a bowling alley, known as "Pacific Lanes," in Tacoma. The trust sold the bowling alley to your client, Pacific Recreation Enterprises, Inc. Your belief that the trustee may have breached a duty to the trust beneficiaries stems from this transaction.

ATTORNEY GENERAL OF WASHINGTON

Mr. Douglas A. Schafer  
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The terms of the will established a mixed trust, within the meaning of RCW 11.110.075. The trust consisted of a life interest in favor of Mrs. Hoffman to distributions of income and principal to the extent the trustee deems advisable "to maintain the same level of care, support and maintenance which [she] is now enjoying." Will, art. IV., 20 ¶ 1. This life interest is private in nature, rather than charitable. Upon her death, the hospital district had the right to receive ninety percent of whatever assets remained at that time. This interest is in the nature of a vested charitable remainder. The other ten percent was to be distributed to Mr. Hoffman's son, a private, noncharitable interest. The trust would then terminate upon payment of the corpus to remaindermen.

If the trustee breached any duty in favor of the holders of the remainder interests (a conclusion I am not able to draw), those beneficiaries are best placed to assert those interests. This office would not ordinarily intercede pursuant to RCW 11.110.120 when the direct beneficiaries are in a position to assert any rights they may have. The role of the Attorney General is to represent the interests of public beneficiaries, which would include beneficiaries whose specific identities may be unknown or undiscernible. It is not our function to act on behalf of an institution that can exercise its own judgment as to what legal theories or actions to pursue.

Based on our telephone conversation of some time ago, I understand that you have been in contact with the Pacific County Hospital District. If there is a cause of action to be pursued in this situation, it would appear to lie primarily with the district as the holder of the remainder interest, as well as with the son.

I hope this information is of assistance.

Very truly yours,

Jeff J. E. van

JEFFREY T. EVEN  
Assistant Attorney General  
(360) 586-0728

JTE:jb 60-383-6883

cc: David Walsh, Dep. A.G.



Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

• PO Box 40100 • Olympia WA 98504-0100

### M E M O R A N D U M

April 4, 1996

TO: DAVID WALSH  
Deputy Attorney General

FROM: JEFFREY T. EVEN  
Assistant Attorney General, 40100

SUBJECT: Analysis of Information Provided By Douglas Schafer

#### I. INTRODUCTION

This memorandum sets forth my analysis of information provided by attorney Douglas Schafer, regarding a charitable trust created under the will of Charles Hoffman. As you will recall, I initially concluded that Attorney General involvement in this matter was not appropriate, because the trust named a specific beneficiary, the Pacific County Hospital District, which could determine on its own whether its rights under the trust were violated. I informed Mr. Schafer of this conclusion by a letter dated February 12, 1996.

Following that letter, Mr. Schafer wrote to you. He attached to his letter of March 1, 1996, a declaration in which he recites the facts regarding his examination of the trust. He also attached a memo directed to "Appropriate Public Officials" in which he summarizes what he suspects might be various violations of law or professional duties. Many of those issues do not relate to charitable trust issues, and he has apparently distributed the material to other offices.

I should also point out that the memo attached to his March 1 letter states incorrectly that he has provided the recipients of that memo with copies of eleven files he has generated, each of which cover specific subjects related to the Hoffman Trust. We have not received those files. In January or February, Mr. Schafer dropped by the office hoping to see me. I was not in at the time, so he spoke to Kati. He told Kati that he had numerous documents we needed to see, but that he could not afford to copy them for us (as I had previously suggested by telephone). Kati therefore copied a number of items for him that he said were most important, but we have not received any other written materials.

Copies of the previous correspondence are attached for ease of reference. Rather than exhaustively summarize the facts, this memo

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simply makes reference to Mr. Schafer's correspondence, and assumes familiarity with those materials.

After reviewing the materials provided on that day and those attached to the March 1 letter, I do not believe that Mr. Schafer has stated anything approaching a convincing case regarding a violation of the charitable trust act. I am also not convinced that Attorney General involvement is appropriate given the fact that the trust names a specific beneficiary which apparently does not believe itself to have been victimized.<sup>1</sup> *✓RE*

## II. ROLE OF THE Attorney General

It may be helpful to begin with a summary of the statutory authority of the Attorney General regarding charitable trusts. We have fairly broad authority to conduct investigations into the conduct of trustees. RCW 11.110.100. That authority is enforceable by court order. RCW 11.110.110.

A key concept guiding the exercise of that authority is the nature of our representation, as specified in RCW 11.110.120. Our primary role is to act "as representative of the public beneficiaries." *Id.* This role is a useful guide in determining how to allocate resources.

A private trust must have one or more named beneficiaries. If the trustee breaches a fiduciary duty, or otherwise fails to act as required by the trust, a named beneficiary can act to enforce any rights that the trust might provide. In distinction, charitable trusts often do not name a specific beneficiary. The people who ultimately benefit from the trust might not be predictable in advance. Some charitable trusts, however, provide benefits to a named charitable organization. The rights of that organization to trust proceeds are predictable, and the organization is capable of taking any action necessary to enforce them. The public beneficiaries, represented by the Attorney General, benefit only indirectly.

This distinction is important because it explains our primary statutory role. Beneficiaries who are named in a trust instrument

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<sup>1</sup> On April 3, 1996, I spoke by telephone with James Finlay, an attorney in Long Beach whom Schafer told me represented the hospital district. He said that he has recently resigned as the district's attorney, but that prior to this Schafer had called him about the Hoffman Trust. He referred Schafer to the district administrator and one commissioner, who subsequently told Finlay that they saw no merit to Schafer's concerns. He also said that he was concerned because Schafer's concerns involved Grant Anderson, whom Finlay had known prior to Anderson becoming a judge. He said that he had never seen any kind of indication of the kind of problems Schafer was alleging.

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are able to monitor the acts of the trustee and defend their interests if they are impinged. Public beneficiaries have no similar capacity, because the identities of those who might some day benefit from the trust cannot be predicted. It is therefore necessary to designate the Attorney General as their representative, so that some entity exists to assert their rights.

Two hypothetical examples illustrate the distinction:

Example A

Trust X shall pay its net income each year as a scholarship to a worthy high school graduate, to be used at a college or university of the student's choice.

Example B

Trust Y shall pay its net income each year to State University, for use in providing scholarships to worthy students.

In both examples, the public beneficiaries are the students who ultimately receive scholarship money from the trusts. The Attorney General therefore has authority under the statutes cited previously. The trusts differ significantly in the necessity for Attorney General enforcement. In example A, the identities of the specific students receiving scholarships are unpredictable. There are no private parties well positioned to enforce the terms of the trust or oversee its operation. In example B, a specific recipient is designated. That recipient is able to oversee the trust and enforce its interests. The Attorney General retains authority to act on behalf of the students who ultimately benefit, but the practical necessity for action is considerably less.

This is not to suggest that there either is a legal rule, or should be a practical guideline, that the Attorney General never take action as to a trust in the form of example B. There may be circumstances under which this is appropriate and in the public interest, and the office has so acted in the past. See, e.g., Fred Hutchinson Cancer Research Center v. Holman, 107 Wn.2d 693, 732 P.2d 974 (1987). Particularly where a larger principle, or potential for an important precedent, is at stake, it may be important for the Attorney General to supplement the efforts of the named beneficiary. Under other circumstances, it may be more advisable to let named beneficiaries determine their own actions, and conserve public resources for those areas in which private parties are not able to defend their own interests.

In the present matter, the named beneficiary is the Pacific County Hospital District. They have had the opportunity to review

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Mr. Schafer's information and have not seen the need to press the matter further. It is difficult to see any larger issue or potential for important precedent in the matter.

Our review of the matter can reasonably end with the observation that the Pacific County Hospital District is a named beneficiary, and that therefore if anyone suffered any damages by the manner in which the Hoffman Trust was administered it would be the district. The district is therefore capable of asserting on its own behalf any rights it might believe were infringed. Our participation is therefore unnecessary. My letter of February 12, 1996, so concluded.

In an abundance of caution, it is also possible to examine Mr. Schafer's materials more closely. His letter, declaration, and memo, describe his course of conduct and various suspicions he has entertained. It states few facts, but much speculation.

### III. THE HOFFMAN TRUST

The basic structure of the trust was as follows. The trust was created under the will of Charles C. Hoffman. It established a life trust in favor of his former wife, Mildred Hoffman. Pursuant to his will, all of his estate was devised to the trust. Will, art. III, ¶ 1. Mr. Hoffman's attorney, Grant Anderson (now Judge Anderson of the Pierce County Superior Court), was named as trustee. Id.

The trustee was authorized to distribute money from the trust, out of either principal or income, to Mrs. Hoffman during her lifetime. Will, art. IV, ¶ 1. Upon her death, the remaining trust corpus was to be distributed ten percent to Mr. Hoffman's son<sup>2</sup> and ninety percent to the Pacific County Hospital District, for the benefit of Ocean Beach Hospital in Ilwaco. Will, art. IV, ¶ 2.

The trust assets included a bowling alley, known as "Pacific Lanes," in Tacoma. The trust sold the bowling alley to Mr. Schafer's client, William L. Hamilton (through Mr. Hamilton's corporation, Pacific Recreation Enterprises, Inc.)<sup>3</sup> It also

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<sup>2</sup> I understand that the son has not been located.

<sup>3</sup> Since the matter involves a former client, Mr. Schafer has raised the possibility that he might be sued for reporting this information to us, as well as to other unspecified agencies. He states that if this happens, he anticipates that we will intervene in such a suit to defend based upon RCW 4.24.520. He also states that if Judge Anderson files for re-election next July, he would anticipate raising his concerns publicly, including publicizing the manner in which he has called this situation to the attention of public agencies.

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included a timeshare condominium development on the Long Beach Peninsula, known as "Surfside." These two assets constituted the bulk of the estate, and are the focus of Schafer's materials (as they relate to charitable trusts.)

The terms of the will established a mixed trust, within the meaning of RCW 11.110.075. The trust consisted of a life interest in favor of Mrs. Hoffman to distributions of income and principal within the discretion of the trustee. Will, art. IV., 20 ¶ 1. Mrs. Hoffman died in January 1993. This life interest is private in nature, rather than charitable.

Upon her death, the hospital district had the right to receive ninety percent of whatever assets remained at that time. This interest is in the nature of a vested charitable remainder. The other ten percent was to be distributed to Mr. Hoffman's son, a private, noncharitable interest. The trust would then terminate upon payment of the corpus to remaindermen.

The issues raised by Mr. Schafer regarding the trust can be reduced to two possible concerns. First, he questions whether Anderson, as trustee, obtained a fair price for the sale of the bowling alley. Second, he questions whether timeshare units at Surfside were sold to various Anderson colleagues at less than market value. He has not provided any evidence of either allegation, but has stated reasons why he speculates that there may have been problems. His remaining statements amount to no more than suspicions that do not appear to be relevant to any charitable trust issue.<sup>4</sup>

Schafer's concerns regarding the purchase price of the bowling alley seem to stem from several oral statements. Schafer's client, Mr. Hamilton, purchased the bowling alley in 1992 and Schafer participated in that transaction as counsel. At the time, Hamilton told Schafer that Anderson had been "milking" an estate, and that Anderson was giving Hamilton a good deal on the property because of his need to wind up affairs before taking the bench. Schafer says that Hamilton told him that Anderson would be repaid at a later time. Schafer Declaration at 1. When Schafer asked Hamilton about this in 1995, Hamilton told Schafer that he should stop "looking

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<sup>4</sup> For example, Mr. Schafer notes that the court commissioner approved Anderson's trustee fee in an ex parte proceeding that took place a few days before Anderson became a judge. Schafer points out that as a judge, Anderson would have been one of the superiors to the commissioner, along with the other 17 judges of the Pierce County bench. At no point, however, does he provide any facts to suggest that the fee was improper. The mere fact that an attorney had business before the court shortly before becoming a judge does not itself seem particularly problematic, given the obvious necessity to wind up Anderson's practice before leaving it.

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for dirt" on Anderson. Id. at 1-2.

At no point does Schafer actually give any information to suggest that the purchase price of the bowling alley was unreasonable. Nor does he provide any basis for his suspicion that any campaign contribution improperly influenced Anderson regarding the sale. In fact Hamilton later denied having made the contribution. Id. at 4.

Based on the materials Mr. Schafer has provided, there is no substantial reason to believe that Anderson breached any duty as the trustee by agreeing to the sale of the bowling alley upon the terms that he did. Schafer merely sets forth speculation and suspicion.

Mr. Schafer's discussion of the timeshare units is similar. Mr. Schafer found that a number of timeshare units in the Surfside development were conveyed to Anderson's colleagues, apparently for \$1,000 each. He states that various other units were sold on the market for significantly more. He therefore questions whether Anderson may have breached a fiduciary duty to the beneficiaries by selling units for less than market price. Memo to public officials at 2-4.

There is no affirmative evidence to suggest that any of the transactions involving timeshare units constituted a breach of fiduciary duty. Presumably if it could be proven that Anderson could have received higher prices for the units from other buyers, then sale at those prices would have increased the distribution to the beneficiary, the Pacific County Hospital District. The conclusion that such buyers were available at higher prices, however, is speculative.

As an additional background point, Mr. Schafer's more recent involvement with Judge Anderson might be instructive. Schafer explains in his declaration that his current interest in this issue results from his handling of a guardianship case that was initially pending before Judge Anderson. Declaration at 1. This appears to be a reference to In Re Barovic, Pierce Cy. Superior Ct. No. 94-4-00800-8. Mr. Schafer explains that Judge Anderson's rulings in this case caused him "to doubt his competency as a judge." Declaration at 1. His experiences in that case caused him to recall the sale of Pacific Lanes, in which he had participated as Hamilton's counsel.

The materials I have received regarding the Barovic matter strongly suggest the scenario of a disgruntled litigant attempting

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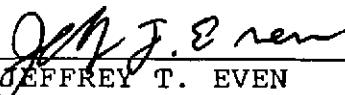
to discover a scandal involving a judge whom he dislikes.<sup>5</sup> While Mr. Schafer's motives are irrelevant if the merits of the matter show a violation of the trust act, his suspicions are better explained by a desire to find a scandal than by the circumstances of the trust administration itself.

Based upon the information Schafer provided, I would recommend no further action on this matter. Schafer has not provided sufficient indication of any breach of fiduciary duty to justify any further expenditure of public funds on this matter. If a significant issue had been raised, the Pacific County Hospital District, as beneficiary, could have protected its own interests. The fact that the district, which would reap any financial benefit of such an action, does not see an issue worth pursuing is a strong indication that there is no public interest at stake.

Alternatively, out of an abundance of caution there might be something to be said for assigning an investigator to the matter in order to determine whether there is any additional relevant evidence regarding the sales of the bowling alley and timeshare units. This might be particularly important as to the possibility that timeshare units were sold at a discount to insiders. I am not impressed by Schafer's suspicions, and think that they are far more likely to be the product of grievances at Judge Anderson's handling of the Barovic case than that they have any substance. Even so, I cannot definitively say that there isn't some undiscovered merit behind Schafer's information.

Additionally, it seems reasonable to refer his materials to our Revenue Division, for consideration of any estate tax issues. At one point Mr. Schafer suggests that the trust may have understated its estate taxes, and I do not feel qualified to express an opinion on that point. Other items can appropriately be reviewed by the IRS or the Commission on Judicial Conduct, and it appears that Schafer has provided information to them independently.

I hope that this analysis is of assistance.

  
\_\_\_\_\_  
JEFFREY T. EVEN

Attachments

<sup>5</sup> Mr. Schafer has apparently written a number of letters to the judges of the Pierce County Superior Court, criticizing their handling of guardianship cases. These letters recently caused Judge Thompson, who handled the matters following Judge Anderson's decision to withdraw, to order Schafer's removal from the case.



Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

1125 Washington Street SE • PO Box 40100 • Olympia WA 98504-0100

April 16, 1996

Douglas A. Schafer  
Schafer Law Firm  
Washington Building, Suite 1302  
1019 Pacific Avenue  
P.O. Box 1134  
Tacoma, Washington 98401-1134

Dear Mr. Schafer:

This is in response to your recent letter regarding the administration of the estate of Mr. Charles Hoffman. You have expressed a number of concerns which were outlined in detail in your Declaration and Memo to Public Officials. I appreciate you taking the time to provide detailed information on your concerns. It is my understanding that you have forwarded the information in your Declaration and Memo to law enforcement agencies and the Commission on Judicial Conduct.

I have reviewed the information you have submitted Assistant Attorney General Jeff Even. Mr. Even has previously discussed this matter in detail with you. At the outset, I must reiterate what Mr. Even previously stated to you in his letter of February 12, 1996, that the Attorney General's Office does not have the broad investigative authority to review all of the various allegations in your Declaration and Memo. The Attorney General's investigative authority is specific and limited.

The Attorney General's Office does have authority under chapter 11.110 RCW regarding charitable trusts, but from the information provided thus far, it does not appear to me that the allegations of improprieties relating to the formulation of the will and the administration of the will and life estate come within the scope of the Charitable Trust Act. Your letter indicates that you have other documents which support the various allegations in your Declaration and Memo. Although it appears to us from the information provided thus far that the Charitable Trust Act is not applicable, because of the nature of the allegations, I believe it would be useful to meet with you to review all of your records.

I should also mention that the fact that this situation may not be subject to the Charitable Trust Act does not mean that the administration of the will and life estate are not subject to general fiduciary obligations. But rather it is the beneficiary under the will, the Pacific County

ATTORNEY GENERAL OF WASHINGTON

April 16, 1996

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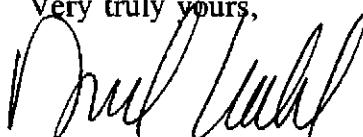
Hospital District, which has the direct and specific interests in this matter. The hospital district clearly has the standing and authority to follow-up the allegations of impropriety to the extent there may have been a violation of fiduciary obligations.

Mr. Even indicated that you have discussed this matter with district officials. I have forwarded the information you have provided for review and follow-up as deemed necessary. We have also forwarded the materials you sent to the Department of Revenue and the Public Disclosure Commission for their review of issues within their respective jurisdiction.

Finally, your letter refers to RCW 4.24.500 - .520. The immunity in RCW 4.24.510 is limited to communications in good faith to agencies. The eligibility for assistance or intervention in lawsuits under RCW 4.24.520 is limited to lawsuits involving communication of information to agencies. I am sure you understand that neither the statutory immunity nor the eligibility for assistance extends to communication or publication to other individuals or entities. Also, I should make it clear at this point, the Office can make no commitments in advance about whether or to what extent assistance could be provided to you in any hypothetical lawsuits which could arise in the future.

Once again, I appreciate your taking the time to outline in detail your concerns in this matter. Please do not hesitate to contact me if you have any questions. I look forward to meeting with you to further review your records and documents.

Very truly yours,



DAVID E. WALSH  
Deputy Attorney General  
(360) 753-6983

4/16/96 Fax

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comunonwalsh@geu!estate.ltr



Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

1125 Washington Street SE • PO Box 40100 • Olympia WA 98504-0100

April 23, 1996

Honorable Grant L. Anderson  
Pierce County Superior Court  
County-City Building  
930 Tacoma Ave. S., Rm. 534  
Tacoma, WA 98402-2102

Dear Judge Anderson:

The purpose of this letter is to inform you that the Attorney General's Office recently received the enclosed complaint relating to the administration of the estate of Mr. Charles Hoffman. The complaint includes a number of allegations of impropriety and questions, including whether the attorney fees paid were appropriate and whether the sale of certain assets (bowling alley, timeshare units) were for fair market value.

The complaint was submitted to the Attorney General's Office upon belief that Mr. Hoffman's estate included a charitable trust which was subject to the requirements of chapter 11.110 RCW. From the information provided thus far by the complainant, we feel there is a significant question about whether the administration of this estate comes within the scope of the Charitable Trust Act. Because of the nature of the allegations, however, we feel it is our obligation to further review this issue; i.e., whether the administration of the estate was subject to the Charitable Trust Act.

Accordingly, we have agreed to meet with Mr. Schafer to review the documents mentioned in his letter. I have also forwarded a copy of this complaint to the Pacific County Hospital District. The complaint has also been referred to the Department of Revenue and the Public Disclosure Commission for review and follow-up as they deem appropriate. This is our standard practice for complaints of this nature.

Please do not hesitate to contact me if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "David E. Walsh".

DAVID E. WALSH  
Deputy Attorney General  
(360) 753-6983

DEW:tim

commonwalsh@courtsarc2.412

bcc: Jeff Even



Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

• PO Box 40100 • Olympia WA 98504-0100

### FAX COVER SHEET

This fax consists of 14 page(s) (including this cover sheet)

TO: HONORABLE GRANT ANDERSON

Fax Number: (206) 591-7214 Date Sent: 4/29/96

#### COMMENTS:

**ATTENTION FAX OPERATOR:** Please insert the following into Judge Anderson's mailbox. Thank you.

FROM: DAVID E. WALSH, Deputy Attorney General

Office Number: (360) 753-6983

Fax Number: (360) 664-0229

If you have any problems with the transmission of this fax, please contact Teri Metcalf at (360) 586-3751.

The information in this fax message is privileged and confidential. It is intended only for the use of the recipient named above (or the employee or agent responsible to deliver it to the intended recipient). If you received this in error, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this message in error, please notify us by telephone immediately, and return the original message to us at the above address via U.S. Postal Service. We will, of course, be happy to reimburse you for any costs. Thank you.

**Schafer Law Firm**

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1019 Pacific Avenue  
P.O. Box 1134  
Tacoma, Washington 98401-1134  
(206) 383-2167 (Fax: 572-7220)

Attorneys:  
Douglas A. Schafer  
James H. MaGee

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ATTORNEY GENERAL'S OFFICE  
GENERAL COUNSEL UNIT

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March 1, 1996

**David E. Walsh, Deputy Attorney General  
Office of the Attorney General of Washington  
P.O. Box 40100  
Olympia, WA 98504-0100**

**Re: Request for Attorney General's Investigation Into Self-Dealing by Judge  
Grant L. Anderson and Attorney Stephen W. Fisher Concerning a  
Charitable Trust (and its Predecessor Estate) for the Benefit of Pacific  
County Hospital District.**

Dear Mr. Walsh:

Pursuant to RCW 4.24.510 ("whistle blower" immunity statute), I enclose information relevant to your agency's role under the common law and under RCW Ch. 11.110 to protect the financial interests of public charities, such as the hospital district named above. Specifically, I enclose copies of my Declaration Under Penalty of Perjury dated 2/16/96 and my Memo of 2/29/96 addressed to Appropriate Public Officials. I previously have provided various documents relating to this matter to Assistant Attorney General Jeffrey T. Even, but his letter to me of 2/12/96 (of which he sent you a copy) suggests that he views your agency's role to be much more limited than I do.

I cannot understand why the hospital district appears uninterested in auditing the estate and trust of which it was the 90% beneficiary, and recovering funds due it, unless either (1) its officials themselves are hiding something, or (2) possibly bequests are of no benefit to public hospital officials because bequests may reduce, dollar-for-dollar, funds received from other sources. I only speculate.

I do have substantial documentation, from public sources, supporting the statements that I made in my Perjury Statement and my Memo—much more than what I gave previously to Mr. Even. I have provided these documents to officials from several other agencies of federal, state, and local government whose areas of concern encompass this matter.

In the event I am sued for reporting this information to your agency or the other

David E. Walsh, Deputy Attorney General

March 1, 1996

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agencies, I expect one of them or your office to intervene and defend against the suit based upon RCW 4.24.520. In the event that Judge Grant L. Anderson files for re-election in July (without being dissuaded by one of the investigating agencies), then I intend to present my information to the media to prevent his re-election. I recognize that RCW 4.24.510 would provide me no defense if I must rely on the media to protect the public interest, so I may seek private indemnification before doing so. Rest assured that any public disclosure I may make will include disclosure of my efforts to motivate public officials to act promptly and appropriately.

If you desire more information about this matter, please contact me.

Very truly yours,

  
Douglas A. Schaefer

Enclosures

**COPY**

**DECLARATION UNDER PENALTY OF PERJURY**

I, Douglas A. Schafer, declare under penalty of perjury under the laws of Washington that the following is true to the best of my knowledge and belief.

**August, 1992.** On August 12, 1992, I was called by my client, William L. Hamilton, who I previously had advised in several matters including the formation in 1990 of Sound Banking Company (of which he then was President/CEO, as he had been at Western Community Bank for about 25 years before its sale), and he requested that I form a new corporation for him immediately. He said that an attorney he knew, Grant Anderson, had been "milking" an estate for four years and was about to become a judge, so he needed to quickly sell the estate's business, Pacific Lanes, in order to close the estate before he took the bench. Hamilton said that he had agreed to buy the business. It was either in that phone conversation or when we met on August 17, 1992, that Hamilton commented that there was no time for an appraisal of the business, that Anderson was giving him a good deal, and that Hamilton would repay him "down the road" by paying him as corporate secretary or something like that. When I heard that comment, I told Hamilton, "I don't even want to hear about it!" I formed his corporation, Pacific Recreation Enterprises, Inc., and had no further involvement with him concerning the purchase of Pacific Lanes. My notes from those conversations and papers Hamilton gave me when we met reflect that the estate was that of Chuck Hoffman.

**July, 1995.** Though my office-bound legal practice of 17+ years has involved almost no appearances before judges, I got involved in a case for Don Barovic in July, 1995, which caused me to appear (for probably only the second time in my career) before a judge, who turned out to be Judge Grant L. Anderson. Since his rulings in that case, both before and after I became involved, caused me to doubt his competency as a judge, in late July I checked my Hamilton file for the name of the estate from which he had purchased the bowling lanes, then reviewed the Hoffman Estate court file at the clerk's office. I took notes, but did not follow up on anything.

**December, 1995.** After another hearing before Judge Anderson on December 15, 1996, I checked out the Hoffman Estate court file, copied it, and began calling attorneys named in it. I was particularly bothered that Anderson's \$112,000 personal representative's fee request had been approved by Commissioner Johnson, without participation by any other attorney, just a few days before Anderson became one of the judges to whom that commissioner was accountable.

I felt that I needed to confront William Hamilton directly about his comment of almost 3½ years earlier, so I called him requesting a face-to-face meeting, and he agreed to meet me at the Pine Cone Restaurant the next Monday, December 18, 1995. When we met that morning, I expressly told him that I recalled his comment from August, 1992, about his intention to repay Anderson for the Pacific Lanes deal, that I and my client Barovic were now appearing before Judge Anderson, and that I needed to know if Anderson has "stellar"

*DAS*

integrity.

We met for almost three hours, during most of which time Hamilton was telling me about major structural problems he had encountered with the Pacific Lanes building, for which he recently recovered his costs from the insurer. He responded to my specific query about whether Anderson has "stellar" integrity by saying that Anderson was as honest as most any lawyer (conveying by his tone his belief that most lawyers are not honest). He told me that Anderson has been a good friend of his for 20 to 25 years; that they socialized with their wives; that he had attended the wedding of one of Anderson's children; etc.

Hamilton told me that Anderson had campaigned not only for the superior court position he now holds, but had also campaigned for a supreme court position. Hamilton said that he had made "a five-figure contribution" to one of Anderson's election campaigns, but he could not recall which of those campaigns it had been.

Hamilton told me that Anderson has medical problems (I believe he said prostrate cancer, with ongoing chemotherapy), and that he and his wife, Diane, were getting a divorce. Hamilton said he had heard that Diane blamed him, for having gotten Anderson interested in Harley motorcycles, somewhat for the failure of her marriage with Grant.

During the meeting, I told Hamilton that I had reviewed the Hoffman Estate court file, and was quite bothered that Anderson's \$112,000 personal representative's fee had been summarily approved without any apparent scrutiny by a commissioner who was about to become Anderson's subordinate. We discussed somewhat the Hoffman Estate. He indicated he thought Anderson had done admirable work in shifting some of the Surfside resort timeshare owners around so he could to sell whole units and liquidate that property. I informed him that I learned that Chuck Hoffman's ex-wife, Millie (the sole life beneficiary of his estate and testamentary trust), had died in late January, 1993. Hamilton told me that a few months after her death, the hospital (Pacific County Hosp. District was the remainder beneficiary of 90% of Hoffman's estate/trust) requested a payoff on the Pacific Lanes financing. Hamilton said he shopped for bank financing (I think he mentioned he rejected Key Bank's lending terms because he got better terms at First Interstate Bank), and negotiated with Steve Fisher (Anderson's former law partner who he nominated, and Commissioner Johnson appointed, as the successor trustee of the Hoffman Trust) for a significantly discounted payoff of the Pacific Lanes purchase. Hamilton said he was quite surprised when, after that payoff had closed, Steve Fisher billed him about \$15,000 for legal services related to that negotiated payoff.

DAS

My meeting with Hamilton ended with him strongly urging me to stop "looking for dirt" on Anderson, and urging me to simply run against him in his next election if felt he was a poor judge. I responded that I would consider what he had told me, and that I was undecided whether to pursue the Hoffman Estate matter further.

That afternoon, I met briefly with S. Alan Weaver, of Eisenhower & Carlson, who had been retained by Anderson to prepare the estate tax return for the Hoffman Estate and who

represents Key Trust Co. in my Barovic case. I inquired into his relationship with Judge Anderson (reportedly, a former law school classmate with whom he'd had little contact but for the Hoffman Estate), conveyed my concern about the circumstances surrounding the approval of Anderson's \$112,000 PR's fee, and questioned whether Anderson had committed malpractice by drafting Hoffman's will to leave 90% to a hospital without qualifying for the charitable deduction, thereby causing unnecessary payment of \$83,000 in estate taxes. Weaver essentially responded that he could tell me nothing, because Anderson was his client.

I believe it was Tuesday evening that I viewed and printed out (using the library's microfiche reader/printer) Judge Anderson's Public Disclosure Commission reports that I had requested the prior Friday. I noted suspiciously that Anderson first reported in his PDC Form F-1 dated 4/16/93 a category E (over \$50,000) money market account at Sound Banking Company (Hamilton's bank); and that his F-1 dated 3/14/94 reported that same account as well as a category E investment in stock of Sound Banking Company. Because Hamilton had not mentioned those investments to me, and I was unsure I could trust him, I called William J. Rhodes (co-founder/director/officer of Sound Banking Company, formerly #2 executive at Western Community Bank). I explained that I had just met with Hamilton about concerns over his purchase of Pacific Lanes from Anderson, that I subsequently learned from PDC reports that Anderson became a Sound Bank shareholder after that deal, and I asked Rhodes to check and let me know when and from whom Anderson acquired his Sound Bank stock. Rhodes reported back to me that Anderson had been one of the 35 or so founding shareholders and that because of the buy-sell provisions (I had drafted but forgotten about) there had been no new shareholders since the bank's opening in 1990.

My report back from Rhodes was either Wednesday afternoon or Thursday morning. I was called by Hamilton at 1:05 p.m. on Thursday, and when I promptly returned his call he expressed anger at my having had Rhodes check into Anderson's stock ownership at Sound Bank, saying that now "Claudia and the girls are wondering what's going on." I expressed my disappointment that he had not apprised me of Anderson's relationship with the bank. Hamilton told me in quite stern terms that I should just "drop it"—my probing about Anderson.

**January and February, 1996.** By late January, I had gathered sufficient public documents concerning Anderson's handling of the Hoffman Estate that I was certain there had been wrongdoing by Anderson. In late January, more hearings in the Barovic cases were scheduled to be heard by Judge Anderson on February 2, 1996. I determined that I was not going to allow my client to be further judged by an individual whom I was convinced himself lacked personal integrity. Accordingly, I determined to let parties who were involved in the Hoffman Estate know that I was investigating it, so that Anderson would learn of it, so that he would honor my proposed request that he withdraw from further participation in my Barovic case.

Late afternoon on Wednesday, January 31, 1996, I called CPA Gary Find (who did the accounting work for the Hoffman Estate and its corporations), saying I was trying to locate

Declaration by D. Schafer—3

*DAS*

appraiser Jim Latteri (who appraised Surfside and Pacific Lanes for estate tax purposes, and whom I have not yet located) and indicating I had seen his name in the Hoffman Estate files. He suggested I call Hamilton, "Who could answer any questions I might have about Pacific Lanes." At about 8:00 a.m., the next morning (Thursday), I dropped in on Frind and he met with me. I told him that I was investigating Anderson's handling of the Hoffman Estate, that Hamilton had told me in December that he had made a five-figure contribution to one of Anderson's election campaigns but that it was not reflected on any PDC report, that I was aware of Anderson deeding Surfside timeshares to everyone in his office three weeks before closing the estate and taking the bench, that I assumed considerable important information was contained in Frind's files that investigators would be needing and that he should safeguard those files. It was a dead serious, one-sided conversation—I talked, he listened and took notes, I left.

I then went to Judge Anderson's courtroom and confronted his judicial assistant, Ms. Sheri Fontana (who had worked for Anderson in his law firm before he became a judge). I showed her the Surfside timeshare deed to Sheri Van Sittert and inquired if that was her. She confirmed that Van Sittert was her married name. I asked if she had paid the market price for the timeshare, to which she responded "yes" and said that she was still making monthly payments on it. She asked why I was looking into her personal affairs, and I responded that I was looking into Anderson's handling of the Hoffman Estate.

Later that morning, I spoke with Diane Anderson's divorce attorney, Camden Hall. I informed him that I was investigating Anderson's handling of the Hoffman Estate and had found apparent misconduct involving the sale of Pacific Lanes to Hamilton and involving the Surfside resort. He responded with, "I was wondering when that shoe was going to drop." He told me not to disclose him as the source of the tip, but suggested that I check into Anderson's acquisition of his Cadillac, since Anderson had been evasive about his acquisition of it when information was requested in the divorce proceedings.

At 10:22 a.m., Hamilton faxed me a letter terminating any attorney-client relationship with him and with Sound Banking Company, and demanding that I not disclose any privileged information learned from him or the bank. I called him and suggested we promptly meet so I could show him the information implicating Anderson that I had obtained from public sources. I insisted that Hamilton have an attorney at that meeting, and he agreed to meet at or after lunch.

I called attorney Steve Fisher, but he was out. I called attorney Dave Tuell (Anderson's former law partner), disclosing to him my investigation (including asking him about the timeshare deeds to him and others in the office, and telling him of Hamilton's stated but unreported five-figure campaign contribution to Anderson), but he acted shocked and declined to host the meeting with Hamilton. Hamilton called back, saying that his attorney Phil Sloan agreed to represent him and to meet with he and I at 1:00 p.m. At that meeting in Sloan's office, Hamilton initially stated emphatically that he had not made any five-figure campaign contribution to Anderson. I immediately inquired if he had made any substantial gifts to

Anderson, and upon Sloan's direction, Hamilton refused to answer. During the meeting, I asked that question several times, with the same response each time. I informed them at the meeting about the timeshare deeds. They repeatedly stressed to me that they believed I was barred by ethical rules from disclosing anything to anyone about the Hoffman Estate because my investigation had been prompted by Hamilton's 1992 comment. They threatened to sue me if I did so.

That afternoon I prepared and the next morning I presented to Judge Anderson, a Motion of Prejudice stating that I had reason to believe that Judge Anderson was aware I was investigating his handling of the Hoffman Estate, and that I believed an investigation into it might result in his removal from the bench. He then recused himself from any further involvement in the cases of my client, Don Barovic.

Prepared and signed on February 16, 1996, at Tacoma, Washington.

*Douglas A. Schafer*  
Douglas A. Schafer

# MEMO

**To:** Appropriate Public Officials  
**From:** Douglas A. Schafer, Attorney  
**Subject:** Handling of Hoffman Estate by Grant L. Anderson and other Attorneys  
**Date:** February 29, 1996

I believe that attorney Grant L. Anderson acted improperly in his handling of the Estate of Charles Hoffman, Deceased (DOD 3/7/89), both before he became a Pierce County Superior Court judge on January 11, 1993, and continuing after that date. Participating in that misconduct were Stephen W. Fisher and other attorneys in their firm, and possibly others, such as their CPA, Gary L. Frind, and now-retired Dept. of Licensing, Timeshare Section manager, Arnold F. Stoehr. The nature of the recognized or suspected misconduct was self-dealing, judicial ethics violations, and, possibly, tax evasion.

The estate consisted principally of two wholly-owned corporations: Pacific Lanes, Inc. ("PLI"), which operated a Tacoma bowling/liquor/gambling business, and Hoffman-Stevenson, Inc. ("HSI"), which owned the bowling operation real estate, but principally was engaged since the 1970's in the development of Surfside Resort and timeshare condominiums on the tip of the Longbeach Peninsula in Pacific County, WA. Hoffman's will basically left 90% of his estate to the Pacific County Hospital District and 10% to his long lost son, neither of which were represented by watchful counsel during the 3-year/10-month pendency of the estate (or subsequently). Hoffman's former wife, Millie, was a potential beneficiary of the estate to the extent Anderson may have felt she needed support, but he didn't, and she died 1/22/93.

This memo is to briefly call your attention to several issues presented by the documentation I am providing with it. My 2/16/96 Declaration Under Penalty of Perjury memorializes relevant information that I was told by parties whom I contacted. My files that have been copied and provided to you are captioned "Hoffman Estate," "Pacific Lanes," "Surfside," "Condo 132," "Trendwest," "PDC Reports," "Financial," "Address Listing," "Pacific Rec. Enterp.," "Misc.," and "Handwritten Notes."

**Tax Issues. Estate Tax.** The Hoffman Estate Petition for Distribution filed 12/14/92 reports death taxes paid of \$82,837. Mathematically, that indicated a reported taxable estate of \$820,020. That appears an understatement. The 1992 sale of Pacific Lanes was for \$1 million. Sales in 1992 of Surfside land and condos to Trendwest Resorts, Inc., and time share units ("TSUs") to Pacific Resorts, Inc. [actually Pacific Resorts International, Inc.] produced \$850,000. The 1995 sale of the Surfside convention center to McHugh/Swenson produced \$550,000. The estate file reflects an outstanding First Interstate Bank SBA loan of \$443,000. There may have been other debt against Surfside, but I would have expected any institutional lender to have required Chuck Hoffman to personally guaranty it, as First Interstate did.

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Anderson retained attorney S. Alan Weaver of Eisenhour Carlson to prepare the IRS Form 706 (I have no reason to question Weaver's conduct). I've been unable to locate the estate's appraiser, James V. Latteri, through western Wash. directory assistance or through any appraiser professional organizations.

*Personal Income Tax Issues.* The Estate's Decree of Distribution signed by Commissioner Johnson 1/6/93 (5 days before Anderson became a judge) awarded \$112,000 as a personal representative's fee to Grant Anderson, individually. The Petition for Decree of Distribution had stated that attorneys Fisher and Koppe "waived" their attorneys' fees. Anderson's PDC (Public Disclosure Commission) Form F-1 dated 4/4/94 for calendar year 1993 failed to report the PR fee (he reported law firm compensation as category E (\$20,000-\$49,999)). He may have also failed to report the \$112,000 on his IRS Form 1040.

In December, 1992, several attorneys and staff members in Anderson's firm (and other "insiders" or friends of Anderson) were deeded by HSI Surfside Condo #132 TSUs at prices reported as \$1,000 per TSU (a week). TSUs in Condo 132 (one of the six class B, 2-bedroom units) sold to retail buyers in October, 1992, for \$3,625. Even if these insiders actually paid (which I question) \$1,000 per TSU, the "bargain element" should have been reported as compensation by the employees of Anderson's firm. Of particular note are the deeds from HSI to Hoffman's "right hand gal" Loise Pagni on 11/19/91 for 4 TSUs for \$4,000, and her 12/22/92 deed for those 4 TSUs to Anderson for \$4,000. I also note that insider K. Leary, who got 2 TSUs from HSI on 12/1/92 for \$2,000, sold those 2 TSUs to Swenson on 1/9/95 for \$6,000.

In March, 1994, CPA Gary L. Frind was transferred a TSU in Condo 122 for reported consideration of \$800 (papers in Misc. file). Its value was likely \$2,000 to \$3,000. This may have been an unreported exchange of property for accounting services.

My Perjury Declaration describes the basis for my suspicion that Anderson may have received some personal consideration in return for his bargain sale of Pacific Lanes to Hamilton. If so, I doubt that Anderson reported that consideration on his IRS Form 1040.

Anderson remained as President/CEO of HSI and PLI after he became a judge (contrary to judicial ethical rules), through sometime in November, 1993. He may have been taking compensation from those corporations, in cash or in kind, that may have been unreported.

While I have no documentation, I would not be surprised if Trendwest Resorts, Inc. or one of its officers or affiliates (Club Esprit, Worldmark, etc.) (collectively "Trendwest") compensated Anderson and, possibly, Fisher. Trendwest bought the Surfside land and 25 of the 48 condos from Anderson/HSI (10 of those condos were actually bought from individuals

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who may have been contractually controlled by Hoffman/Anderson/HSI) in late 1991 or early 1992. Trendwest and two of its officers, Peare and Needham, contributed to Anderson's 1992 superior court and 1994 supreme court election campaigns. It appears that Trendwest, with the controlling votes in the condo owners' association, supported the retention of Anderson and Fisher as the controlling persons in that organization.

That condo owners' *association*, created pursuant to RCW Ch. 64.32 and the 7/7/78 initial condominium declaration, was apparently (but probably not legally) reorganized into a Washington *business corporation* created 5/3/93 by Anderson, Fisher, and Trendwest. As a business corporation, it must have stockholders; and it may be that Anderson and Fisher received stock in it. It has been suggested to me that the 1/11/93 sale by Fisher, as trustee of the Hoffman Trust, of four lots next to the condos to the owners' association for \$16,000 was at about half their fair value. Apparently, a swimming pool has now been build on those lots, since the existing pool was destroyed in the arson fire in early 1995.

*Corporate Tax Issues.* Given my assumptions about the integrity and competency of the individuals involved, I suspect that there may have been negligent or intentional errors in the reporting of federal tax by PLI and HSI. Presumably one or both of those corporations dividdended to the estate the funds to pay the \$83,000 in estate taxes and the \$112,000 in Anderson's PR fee.

**Surfside Development Issues.** Based on comments I was given, I suspect that Hoffman was himself a "shady, wheeling-and-dealing" character. It appears that the Surfside development struggled from its opening in about 1979 onward. I question whether the parties who "owned" the 10 condos that all sold at the same price to Trendwest within a few months in late 1991, apparently at the "call" of Anderson, were bona fide owners. I question why HSI sold Condo #132 TSU G-4 to South for \$1,500 on 9/7/88, having sold TSU B-4 to Wall for \$4,235 on 6/17/88. All the TSUs are identical, each advances two weeks in the calendar in each year

I've heard that Surfside has had chronic and ongoing disputes with Washington taxing authorities, which I assume to be over property taxes but may be over B & O taxes or excise taxes.

As noted above, I suspect misconduct involving Trendwest. The Anderson firm's time entries in the Estate file show that they were dealing with Pacific Resorts International, Inc. ("PRII") on (by Anderson) 4/17/91 and from 7/31/91 to 8/22/91 and on (by Fontana) 4/3/91 about selling condos or TSUs. The title company reports no sales, however, to PRII until the bulk sale of 147 TSUs in 2/93. I wonder if Trendwest offered inappropriate inducements to usurp the sale the PRII. The "deal" with Trendwest was apparently "cut" in 9/91.

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I just yesterday learned from owner James Schuler that the Washington corporation named "Pacific Resorts, Inc." had nothing ever to do with Surfside. I then determined that the corporation improperly referred to in various Surfside-related documents by that corporate name actually is the Washington corporation named "Pacific Resorts International, Inc." (d/b/a Resorts West, office in Bellevue), and it recently was purchased by Frank Needham (formerly a Trendwest officer, who contributed, using a Mt. Shasta address, to Anderson's 1992 election campaign) from Paul Weitzell. Needham's phones are 206-454-6566 (Bellevue) and 360-681-2191 (Sequim). Robert Forbes (who signed the 2/93 deed from HSI as V.P. of PRII) has not been associated with PRII for several years.

My suspicions about Hoffman, Anderson, and Trendwest are heightened by the arson fire, in early 1995, of the Surfside Convention Center, that HSI sold in 1/95 to McHugh/Swenson for \$550,000. Adding to my suspicion is the disappearance of the regulatory files from the Washington state office that regulates the selling of timeshares under RCW Ch. 64.36. The new program manager, Michael W. Schneider, of the Timeshare Section, Business and Professions Division, Dept. of Licensing (360-586-4575), tells me that his office has no record of HSI's Surfside Condominiums timeshare file. His predecessor, Arnold F. Stoehr, retired about three years ago. I later learned that Mr. Stoehr appears to have purchased two TSUs in Surfside from an Olympia private party in 4/93 for \$3,800. While visiting Mr. Schneider, I noticed a thick file topped by Trendwest letterhead on his desk. The Anderson firm time sheet entries in the estate's court file are replete with many, many telephone calls, letters, and meetings with Mr. Stoehr from the opening of the estate through 2/92. (I was able to obtain from Mr. Schneider's office the 1987 regulatory file from Dencris, Inc., which had purchased Surfside Condo #212 from HSI and was offering 40 of its 48 TSUs for sale to the public, using a public offering statement that, presumably, duplicated much of HSI's then current offering statement.)

I also have undocumented suspicions about the involvement in Surfside by First Pacific Investment Co. (sometimes referred to as First Security Investments), apparently owned by Charles and D.D. McBain, who appears to have been represented by Tacoma attorney Alan Bowden. It appears that First Pacific may have been financing many of the TSU purchasers, and may have acquired many TSUs through informal foreclosures facilitated by HSI. First Pacific now owns 27 TSUs in assorted condos, and Bowden owns two TSUs in Condo 130 and two TSUs in Condo 114.

I note that the Surfside development initially appears to have been a joint project by Chuck Hoffman and Donald K. Medley, Sr. It appears that Medley Sr. (whose son Don Medley Jr. lives next door to Anderson's long-term law partner, David R. Tuell, Jr.), sold the Surfside ground (subject to the 130-year ground lease) to Hoffman in 1983. Medley Sr. died in 1985 with three adult children in Tacoma. His estate was probated by Wm. Hamilton (who later bought Pacific Lanes). Its inventory reported no Pacific County property, but did report

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an 87% participation in a \$207,000 loan by Western Community Bank (of which Hamilton was CEO) to HSI.

A 1984 lawsuit against "Surfside Homeowners Association" (representing all lot owners of the massive "Surfside Estates" plat) by Medley, HSI, and "Surfside Inn Owners Association", apparently over the condo owners' assessments for the Surfside Estates' water system, was settled in 8/87. Attorney Grant Anderson represented Medley, HSI, and the condo owners; attorney James M. Finlay (who represents the Pacific County Hospital District when requested to do so) represented the Surfside Estates lot owners association. Jim Finlay told me, when I first contacted him about vindicating the hospital district's rights in the Hoffman Estate, that he personally knew Chuck Hoffman and Grant Anderson. (I noted that Ron and Emma Finlay in Des Moines own a TSU in Condo 126 and two TSUs in Condo 132, but I do not know if they are related to Jim Finlay.)

I tried from mid-December through mid-February to motivate the hospital district to retain me (I offered to help a no charge.) or another attorney to audit the Hoffman Estate and recover its damages

**Indirect Anderson Compensation Issues.** From my review of the Anderson firm's timesheet records filed in the estate's court file (showing significant time gaps with no time entries), and from Anderson's PDC Forms F-1 for 1991 and 1992 (showing lawfirm income from PLI and HSI), I expect that while the estate was open, Anderson's firm was directly billing PLI and HSI for services. While not necessarily improper, I submit that any such compensation should have been brought to the attention of the Court and estate beneficiaries. I also note that Anderson's law firm operated an escrow business known as "Legal Escrow," which was designated as the closing agent for the \$1 million Pacific Lanes transaction. Any income Anderson derived from the estate's transactions through that escrow business should likewise have been disclosed.

**Integrity Issues.** I note that the estate's inventory signed by Anderson before a notary on 11/8/89, and filed in Court on 12/14/92, was prepared on 11/5/92 and 11/6/92 according to time sheet entries by attorneys Koppe and Fontana and paralegal Bradley.

**Malpractice Issue.** Anderson prepared Hoffman's will in March, 1985, leaving 90% of Hoffman's substantial estate to a hospital, preceding by a discretionary trust for Hoffman's ex-wife (who was financially secure and in chronic ill health). Anderson probably committed malpractice by not advising Hoffman about structuring his estate plan to qualify the amount exceeding \$600,000 for the charitable deduction, thereby avoiding the \$83,000 tax bill. Anderson apparently directed attorney Koppe to research the issue after Hoffman's death, from her time sheet entry on 5/16/89.

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February 29, 1996

**Judicial Ethics Issues.** Though Anderson became a superior court judge on January 11, 1993, and ceased after January 6, 1993, having any judicially recognized interest in the then closed Hoffman Estate or the then opened Hoffman Trust (of which Fisher was the court-appointed trustee), Anderson remained through some time in November, 1993, as President/CEO of HSI and PLI. In those corporate capacities, he engaged in transactions with PLII, leased the Surfside resort's restaurant to K. Leary for \$1/month, corresponded on HSI's behalf with the Wash. Liquor Control Board, participated in the negotiated, discounted payoff of Hamilton's purchase money debt to HSI and PLI for Pacific Lanes, and probably engaged in other HSI and PLI transactions that I've not yet identified through public documents. Judge Anderson's continuing involvement in the financial affairs of HSI and PLI violate the Code of Judicial Conduct ("CJC"), Canon 5(C)(3)(barring service as officer of a business) and, since Anderson's only relation to Hoffman's estate and trust was as a formal or *de facto* fiduciary, Canon 5(D)(barring service as a fiduciary except for a family member). Further, if the facts and apparent facts concerning Judge Anderson's handling of the Hoffman Estate become public (as I intend to make them if he seeks re-election this fall), public confidence in the integrity of the judiciary will be severely damaged by Anderson's activities, violating CJC Canons 1 and 2.

**Additional Information.** My Perjury Declaration mentions my conversation with Diane Anderson's divorce attorney, Camden Hall, of Foster, Pepper, and Sheffelman. The case file is Pierce County Sup. Ct. No. 95-3-03746-1. There may soon be property settlement papers filed in that divorce proceeding disclosing assets that previously have not been disclosed in PDC reports, such as Anderson's four TSUs in Surfside Condo 132.

DCOPY  
Doris Chaper

LAW OFFICES OF

**FISHER & KOPPE**COLLEGE PARK PROFESSIONAL CENTER  
6314 19TH STREET WEST, SUITE 8  
TACOMA, WASHINGTON 98466STEPHEN W. FISHER  
ROBYN L. KOPPE  
RICHARD L. HOEFELFACSIMILE 206 565-3988  
TELEPHONE 206 565-3900FAX TRANSMITTAL SHEETDATE: 5-3-96TO: David E. Walsh  
Deputy Attorney GeneralFAX: 360-664-0229RE: Judge Grant L. AndersonTransmitted is Report from the office of  
the Pierce County Prosecuting Attorney

3 Total number of pages being transmitted (including cover sheet). If you do not receive all pages transmitted, please call (206) 565-3900, as soon as possible. Thank you.

Sincerely,

FISHER &amp; KOPPE

Debby

Copy to  
Jeffrey  
Bren  
Done  
5/7

This is a privileged and confidential. It is intended only for the employee or agent responsible to deliver it to the error, you are hereby notified that any dissemination, on is strictly prohibited. If you have received this message immediately, and return the original message to us. We will, of course, be happy to reimburse you for any

## SUPPLEMENTAL REPORT

ORIGINATING AGENCY: Pierce County Prosecutor's Office

CASE NUMBER: SI 96-0040

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REPORT TITLE: Douglas Schafer Complaint - Summary Report

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## SUBJECT OF REPORT:

NAME: Judge Grant L. Anderson

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NARRATIVE:

2-9-96 We opened this special investigation at the request of John Ladenburg per a complaint he had received from Douglas Schafer.

I talked with Mr. Schafer and asked him to meet in our office and provide all the documented evidence he had pertaining to this complaint.

2-12-96 Chief Criminal Investigator Bruce Jackson, Criminal Investigator Bill Garrison and I met with Mr. Schafer who outlined his complaint against Judge Anderson. He stated his belief in a conspiracy to milk the Chuck Hoffman estate by Grant Anderson who was handling same. Said estate included the Surfside Inn and Condos in Ocean Park and Pacific Lanes Bowling Alley in Tacoma. This investigation by Mr. Schafer arose out of a problem Mr. Schafer encountered with Judge Anderson's ruling against him which resulted in Mr. Schafer filing an order Granting Partial Relief to Motion of Prejudice February 2, 1996. (See attached motion of same date)

Mr. Schafer alleged that Judge Anderson wrongfully administered the estate, illegally profited from its sale and administration of the estate and was involved in a conspiracy whereby the estate was divided among his friends and associates without lawful payment for said property. The final divestiture of this property did not take place for several months after Judge Anderson assumed the bench. (See "Declaration Under Penalty of Perjury" dated 2-16-96)

Mr. Schafer provided this office copies of hundreds of pages of documents dealing with the Hoffman estate and his investigation, including deeds, court documents and statements. I have been in regular contact with Mr. Schafer on a weekly and often on a daily basis since February. I have reviewed all the documents and statements he has provided.

He has made these same complaints to the Washington State Attorney General, the Washington

State Bar Association and the Council for Judicial Review and now to the press.

Mr. Schafer's criminal allegations focus on the following:

- 1) Violations of the Timeshare Act. That is that 10 condos were sold to "straw men" who did not actually buy them but was the result of a paper only transaction whereby Grant Anderson arranged fraudulent transfers and signed documents under penalty of perjury to the effect that an actual transfer took place and money's changed hands.
- 2) Grant Anderson accepted a (5) five figure "campaign contribution" from a business partner, William Hamilton which he presumed to be Grant Anderson's Cadillac.

There were many other complaints of ethical wrong doing in the handling of the estate by Grant Anderson but the above were the basis of Mr. Schafer's criminal complaints.

I reviewed the evidence with Mr. Schafer during February, March and April of 1996. See MEMO dated February 28, 1996 and March 7, 1996 for further explanation of the complaints by Mr. Schafer.

In the attached MEMO dated March 6, 1996 Mr. Schafer admits being unable to deliver documented proof of violations.

Later in April Mr. Schafer admitted that he was able to confirm that the 10 condos he had suspected of being bought and sold by "straw men" appeared to be legitimate buyers but there could still be a conspiracy.

We found that the "straw men" were in fact genuine buyers and there was no basis in fact to substantiate probable cause to believe any crime had occurred.

I later learned that prior to complaining to Mr. Ladenburg, Mr. Schafer had made this complaint to the Attorney General of Washington. See attached letter from the Attorney General to Mr. Schafer dated February 12, 1996. In this letter Mr. Schafer is advised that any complaint of breach of duty would be best be made by the beneficiaries and not by a third party.

#### Deductions and Conclusions:

Based on the statements and documents provided by Mr. Schafer there does not appear to be probable cause to believe any crime occurred during the handling of this estate by Judge Anderson.

#### Disposition:

Case Unfounded

May, 1, 1996

*Franklin Clark*

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Rpt Time/Date

Investigator's Signature



Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

1125 Washington Street SE • PO Box 40100 • Olympia WA 98504-0100

April 25, 1996

Susan Harris  
Assistant Director  
Compliance & Enforcement  
Public Disclosure Commission  
P.O. Box 40908  
Olympia, WA 98504-0908

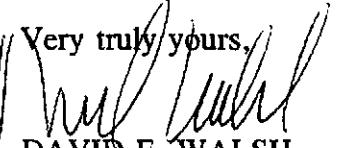
Dear Ms. Harris:

The Attorney General's Office recently received the enclosed complaint relating to the administration of the estate of Mr. Charles Hoffman.

The complaint was submitted to the Attorney General's Office upon belief that Mr. Hoffman's estate included a charitable trust which was subject to the requirements of chapter 11.110 RCW. From the information provided thus far by the complainant, we feel there is a significant question about whether the administration of this estate comes within the scope of the Charitable Trust Act. Because of the nature of the allegations, however, we feel it is our obligation to further review this issue; i.e., whether the administration of the estate was subject to the Charitable Trust Act. Accordingly, we have agreed to meet with Mr. Schafer to review the documents mentioned in his letter.

The complaint also includes some allegations relating to violations of PDC reporting. Accordingly, it is hereby referred to you for review as you deem appropriate.

Please do not hesitate to contact me if you have any questions.

Very truly yours,  
  
DAVID E. WALSH  
Deputy Attorney General  
(360) 753-6983

DEW:tim  
common\walsh\gcu\estate.pdc  
Enclosure

cc: Chip Holcomb, Sr. Counsel, w/enc.  
Ro Marcus, AAG, w/enc.





Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

1125 Washington Street SE • PO Box 40100 • Olympia WA 98504-0100

April 25, 1996

Gary O'Neil  
Assistant Director  
Department of Revenue  
P.O. Box 47472  
Olympia, WA 98504-7472

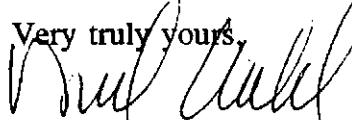
Dear Mr. O'Neil:

The Attorney General's Office recently received the enclosed complaint relating to the administration of the estate of Mr. Charles Hoffman.

The complaint was submitted to the Attorney General's Office upon belief that Mr. Hoffman's estate included a charitable trust which was subject to the requirements of chapter 11.110 RCW. From the information provided thus far by the complainant, we feel there is a significant question about whether the administration of this estate comes within the scope of the Charitable Trust Act. Because of the nature of the allegations, however, we feel it is our obligation to further review this issue; i.e., whether the administration of the estate was subject to the Charitable Trust Act. Accordingly, we have agreed to meet with Mr. Schafer to review the documents mentioned in his letter.

The complaint also includes some allegations relating to payment of taxes. Accordingly, it is hereby referred to you for review as you deem appropriate.

Please do not hesitate to contact me if you have any questions.

Very truly yours,  
  
DAVID E. WALSH  
Deputy Attorney General  
(360) 753-6983

DEW:tim  
common\walsh\gcu\state.rev  
Enclosure

cc: Lee Johnson, Sr. AAG, w/enc.





STATE OF WASHINGTON  
DEPARTMENT OF REVENUE

P.O. Box 47450 • Olympia, Washington 98504-7450 • (206) 753-5540 • FAX (206) 586-5543

May 29, 1996

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ATTORNEY GENERAL'S OFFICE  
GENERAL COUNSEL UNIT  
APR 30 1996  
S. P. L. HOWARD, SECRETARY  
OLYMPIA WA

David E. Walsh  
Deputy Attorney General  
Attorney General of Washington  
Post Office Box 40100  
Olympia, Washington 98504-0100

RE: Estate of Mr. Charles C. Hoffman, Pierce Co. No. 89-4-00326-3  
Response To Request For Review Of Estate File

Dear Mr. Walsh:

I am in receipt of your letter dated April 25, 1996, and have completed a review of both the documents accompanying the letter and the Department of Revenue's Estate Tax Division's files regarding the administration of the estate of Mr. Charles C. Hoffman. Accordingly, my review of the documents and the file has not revealed any issues that warrant action by the Department of Revenue.

The Department's records reflect that on February 2, 1990, the estate obtained from the United States Internal Revenue Service an extension of time to file a federal tax return. By law, the extension also extended the filing date for the Washington Estate and Transfer Tax Return. At the end of the extension period, the estate paid both the federal and state taxes due, based on the federal report; thereafter, the Department closed the estate's file. The Department accepted the values for the estate as they were reported by the Internal Revenue Service for two reasons: 1) the Department does not have audit authority in the area of estate tax, and 2) the State of Washington is required by law [RCW 83.100.030 and 83.100.090] to accept the state tax (in effect, a credit against the federal tax) which is computed using the federal tax tables. It is the federal government which has the authority to audit estates and challenge the values reported for tax purposes; therefore, in the Department's view, if the assets were indeed undervalued, the Internal Revenue Service is the proper agency for investigation of that issue.

Unfortunately, while Mr. Schafer's charges raise some concern over whether there was a proper valuation of the estate, the Department does not have the authority to reopen the estate and collect additional tax.

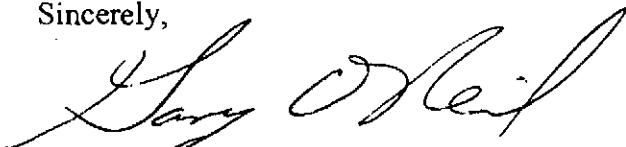
David E. Walsh  
Page 2  
May 29, 1996

One of the issues Mr. Schafer raises is the possible under-reporting of income. However, since Washington does not have an income tax, those charges are not actionable by the Department. Again, it seems the Internal Revenue Service is the most appropriate agency for investigation of these claims.

The balance of Mr. Schafer's complaint contains charges of unethical conduct by the personal representative, Grant L. Anderson, and others. Again, these charges fall outside the scope of the Department's investigatory authority - review of them probably should be handled by the Washington State Bar Association.

Finally, you state in your letter that you have agreed to meet with Mr. Schafer to discuss the charges he makes and to review documents in his possession. While at this time the Department believes it does not have the power to pursue this matter further, I certainly would be interested in hearing from you if, upon discussing the matter with Mr. Schafer, you uncover new information regarding the payment of estate taxes. In the meantime, please feel free to give me a call if I may be of further assistance to you. If you would like to discuss the particulars of the Department's estate file, feel free to contact Mr. D.L. Cooper, Miscellaneous Tax Manager, at (360)753-7281.

Sincerely,



Gary O'Neil, Assistant Director  
Special Programs Division

GO:syp

cc: D.L. Cooper, Special Programs Supervisor  
Susan Price, Assistant Attorney General



Christine O. Gregoire

## ATTORNEY GENERAL OF WASHINGTON

1125 Washington Street SE • PO Box 40100 • Olympia WA 98504-0100

July 11, 1996

Mr. Victor Vanderdolf  
Administrator  
Pacific County Hospital District  
P.O. Box 438  
South Bend, WA 98586

Re: Estate of Charles Hoffman

Dear Mr. Vanderdolf:

Over the past several months our office has received several communications from an attorney named Douglas Schaffer regarding various issues that he believes to be of significance in the above-referenced estate. I believe that he has also been in contact with the Pacific County Hospital District regarding the same matters. While I do not believe that the information he has provided would form the basis for any action by this office, I am writing today to make sure that you have access to the same information so that you can arrive at your own independent decision.

The matter involves a trust created in the will of Charles Hoffman. Mr. Hoffman died in 1989, leaving a will that created a trust to provide income for his ex-wife for the remainder of her life. Upon her death, ninety percent of the trust assets were to be distributed to the hospital district, and ten percent to Mr. Hoffman's son (whom I believe has never been located). The trust assets included a bowling alley and an interest in a time-share condominium development. Mr. Schaffer apparently believes that, following the death of Mr. Hoffman's ex-wife, those assets may have been liquidated in a way that did not maximize the potential return for the benefit of the hospital district.

In April, I spoke to James Finlay, whom I understand to be the former attorney for the hospital district. He informed me that Mr. Schaffer contacted the district regarding these issues some time ago. I therefore believe that you are already aware of the matter, but want to make certain that you have access to the same materials Mr. Schaffer provided to this office. If there is any financial interest involved in this issue, it would be that of the district.

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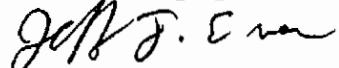
Victor Vanderdolf  
July 11, 1996  
Page 2

It is, therefore, not appropriate for this office to consider the matter further.

I am enclosing copies of the materials relating to the Hoffman estate. In providing this information, I do not mean to imply that the matters either have or do not have any merit, or that you would be well advised to take any particular action. I merely pass them along so that you can draw your own conclusions.

I hope that this will be of assistance.

Very truly yours,



JEFFREY T. EVEN  
Assistant Attorney General  
P.O. Box 40100  
Olympia, WA 98504-0100  
(360) 586-0728

JTE:jb

Enclosures

bcc: David Walsh