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COMMISSION ON JUDICIAL CONDUCT

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In Re the Matter of)	
)	NO. 96-2179-F
The Honorable Grant L. Anderson)	
Pierce County Superior Court)	STATEMENT OF CHARGES
930 Tacoma Avenue South)	
Tacoma, Washington 98402)	
_____)	

I. JUDICIAL SERVICE

1. From 1977 to 1992, Judge Grant L. Anderson was a part-time municipal court judge for the City of Fircrest, Washington.
2. From January, 1993, to the present, Judge Anderson has been a Pierce County Superior Court Judge.

II. FACTS SUPPORTING CHARGES

3. Charles Hoffman was a longtime client of Judge Anderson while Judge Anderson was in private practice. Mr. Hoffman died in 1989. Mr. Hoffman's will named Judge Anderson as the personal representative of his estate. Judge Anderson's work on the estate began in 1989, and his involvement continued after he became a Superior Court judge in January, 1993.
4. Mr. Hoffman's estate consisted of various assets including, among other things, ownership of three corporations: (i) Hoffman-Stevenson, Inc., which owned the real property and building housing a bowling alley operation in Tacoma, Washington; (ii) Pacific Lanes, Inc., which operated the bowling alley and leased the real property from Hoffman-Stevenson; and (iii) Surfside

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1 Inn, Inc. Shortly after Mr. Hoffman's death, Judge Anderson became President of each of these three
2 corporations. He remained as President of these companies throughout 1993.

3 5. In mid-1992, Judge Anderson, as Personal Representative of the estate and President
4 of Pacific Lanes, began discussions with his longtime friend and business acquaintance, William
5 Hamilton, about selling the bowling alley business to Hamilton. These discussions culminated in an
6 agreement dated September 19, 1992, titled "Business Acquisition and Lease Agreement." Under
7 that agreement, Hamilton, through a corporation known as Pacific Recreation Enterprises, Inc.
8 ("PRE"), agreed to buy the operating assets of the bowling alley (inventory, equipment and goodwill)
9 from Pacific Lanes for \$300,000. The terms consisted of a \$50,000 down payment with \$250,000 to
10 be paid over time.

11 6. The sale of the bowling alley business to PRE closed on December 4, 1992. The
12 terms of the closing papers matched those set forth in the Business Acquisition and Lease
13 Agreement. Accordingly, in connection with the closing, PRE paid Pacific Lanes \$50,000 and
14 signed a note for \$250,000 payable to Pacific Lanes.

15 7. Pursuant to the terms of an existing loan from First Interstate Bank to Pacific Lanes,
16 Pacific Lanes was obligated to, and through Judge Anderson did, pledge the note from PRE to First
17 Interstate as additional security for the loan.

18 8. In the last week of December, 1992, Judge Anderson purchased a new Cadillac
19 automobile for approximately \$37,000, financing the purchase with a loan from Sound Bank in
20 Tacoma, Washington. Judge Anderson paid \$9,000 down on the loan almost immediately. Judge
21 Anderson was required to pay off the balance, with payments of approximately \$800/month, over a
22 three-year period.

23 9. In early January, 1993, Judge Anderson was sworn in as a Pierce County Superior
24 Court Judge.

1 10. Shortly after Judge Anderson assumed the Superior Court bench, the following events
2 occurred:

3 a. Hamilton, whose company, PRE, had just closed on the purchase of the bowling
4 alley business, offered to make the monthly payments (\$800/month) on Judge Anderson's Cadillac
5 loan. Judge Anderson accepted that offer. Hamilton, however, did not make the payments from his
6 personal funds. Instead, Hamilton's company, PRE, began making the payments on behalf of Judge
7 Anderson. Altogether, PRE made payments on Judge Anderson's behalf of approximately \$31,100;

8 b. At approximately the same time as Judge Anderson accepted the offer to have his
9 loan payments made, he agreed to reduce the price PRE was paying for the bowling alley operation
10 by approximately \$100,000. This reduction was accomplished by, after the fact, agreeing to treat the
11 sale as having closed in September 1992, instead of the actual closing that occurred in December
12 1992. Based on this agreement, PRE was then given credit against the purchase price for cash
13 generated by the bowling alley operation during the period from September through December,
14 1992.

15 c. Judge Anderson continued to serve as President of Pacific Lanes. As President, he
16 had a fiduciary obligation to the corporation which barred him from obtaining personal benefit at the
17 expense of the corporation;

18 11. The after-the-fact agreement to treat the transaction as having closed on September 1,
19 1992, resulted in PRE paying approximately \$100,000 less than it was obligated to pay. The
20 agreement was contrary to: (i) the terms of the Business Acquisition and Lease Agreement; (ii) the
21 transactional documents which showed unequivocally that closing occurred on December 4, 1992,
22 and the price was to be \$300,000; (iii) the Closing Statement signed by Hamilton in which he
23 acknowledges that the purchase price was \$300,000; (iv) the pledging of the Note to First Interstate
24 Bank at the face value of \$250,000; (v) the fact that Judge Anderson's law firm was paid a monthly
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1 fee for managing Pacific Lanes during the period September through December, 1992;¹ and (vi) the
2 fact that neither Hamilton nor his company, PRE, had paid any money to Pacific Lanes or assumed
3 any of the risks of ownership during the period when, pursuant to the after-the-fact agreement, he
4 was treated as the owner and given the benefit of the money earned by the bowling alley.

5 12. Both Judge Anderson and Mr. Hamilton contend that the payments on the Cadillac
6 were a gift which bore no connection to Judge Anderson's approximately simultaneous agreement to
7 reduce the purchase price by approximately \$100,000. However, the payments made on Judge
8 Anderson's behalf by Hamilton's company, PRE, were not treated as a gift on PRE's books. Instead,
9 they were booked, for tax purposes, as an "automobile expense."

10 13. Judge Anderson has specifically denied that the loan payments were tied to the
11 bowling alley transaction or the price reduction. He also gave the following testimony:

12 Q: Did you ever tell your wife that the Cadillac payments
13 were a commission as to the sale of Pacific Lanes to
14 Mr. Hamilton?

15 A: No. Because they weren't.

16 Q: Did you ever make any statement to that effect to your
17 wife?

18 A: Not that I am aware of. I don't know why I would
19 because they were not.

20 Judge Anderson's former wife, however, has executed a declaration that states as follows:

21 I was formerly married to Grant Anderson. While we were
22 married, in approximately late 1992 or early 1993, Mr.
23 Anderson obtained a Cadillac automobile. I was surprised by
24 this and had questions as to how we were paying for it. **In
25 response, Mr. Anderson told me that it was a commission
26 from Mr. William Hamilton in connection with the sale of a
bowling alley by an estate Mr. Anderson was handling. He
explained that as the attorney handling the transaction, he
was entitled to a commission**

1 These "management" fees, which totaled \$7,200 from September through December, 1992,
were in addition to fees for legal services relating to Pacific Lanes which were charged by Judge
Anderson's firm during this period.

1 14. Judge Anderson testified that he concluded his involvement in the price reduction
2 process before the end of 1992, which would have been before Hamilton offered to make Judge
3 Anderson's car loan payments:

4 Q: Up at the top, [the document] says "Pacific Lanes Purchase
5 Price Adjustments Per Discussions With Grant Anderson
6 and Bill Hamilton"?

6 A: Yes, I see that.

7 Q: Did you have any such discussions after January 1 of 1993?

8 A: **I don't believe so, not to my knowledge.**

9 Q: Is it your recollection that the discussions reflected herein
10 took place prior to December 31st of 1992?

11 A: **Yes.**

12 15. Other persons involved in the price reduction process testified that Judge Anderson
13 was involved in the process after December 31, 1992. Judge Anderson's former law partner, who
14 became involved in the estate's businesses after Judge Anderson was elected, testified as follows:

15 Q: In the early spring of 1993, there were adjustments to the
16 purchase price paid by Bill Hamilton for the operation of
17 the bowling alley to Pacific Lanes. Did you have any
18 involvement in those purchase price adjustments?

17 A: Yes, I did.

18 Q: Can you describe that, please.

19 A: I know that this was discussed with Bill Hamilton and
20 Kevin Iverson, and I had to talk to Grant Anderson to have
21 sufficient knowledge to determine what adjustments needed
22 to be made to that purchase price. So, I know that I talked
23 with all three of those individuals.

22 Q: Approximately when?

23 A: It would have been in the spring of 1993, January,
24 February, March. I don't have a specific date.

25 Similarly, an accountant involved in the price adjustment process, Kevin Iverson, testified as
26 follows:

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Q: When did you first learn of the sale of Pacific Lanes to Mr. Hamilton?

A: In mid-January.

Q: Mid-January of 19--?

A: '93.

Q: How did you learn of it?

A: I can't tell you for sure. I believe Grant Anderson just called me up and said, "I have sold the business and we have to make these adjustment."

.

Q: When did those discussions take place?

A: They would have taken place between the time he told me and in mid-January until the time this was done which was about mid-March.

.

Q: Diverting again for a moment, these discussions with Mr. Anderson in 1993, these were after he became a judge?

A: Either right after or right before, yeah. I don't remember exactly when he became a judge, but it was pretty close to that.

Q: He became a judge on or about January 8.

A: Okay. So it would have been.

Q: So these discussions would have been after that time?

A: Yes.

16. In the fall of 1993, Hamilton's corporation, PRE, purchased the ground and buildings on which the bowling alley operation was located. Judge Anderson, while sitting on the Superior Court bench, was still serving as President of Hoffman-Stevenson, the entity selling the realty to Hamilton's company. As President of Hoffman-Stevenson, Judge Anderson executed the closing documents on behalf of the corporation.

1 17. By this time, the Hoffman estate had been closed and the assets, including the stock of
2 Hoffman-Stevenson, had flowed into a trust. The trustee of that trust, and thus the legal owner of
3 Hoffman-Stevenson, was Judge Anderson's former law partner, Stephen Fisher. Also at this time,
4 PRE was continuing to make the monthly payments (\$800/month) on Judge Anderson's car loan.
5 Judge Anderson did not disclose to trustee Fisher, prior to executing the sale documents as President
6 of Hoffman-Stevenson, that he was receiving payments from PRE, the party on the other side of the
7 transaction.

8 18. PRE continued to make Judge Anderson's Cadillac loan payments until May, 1995.
9 By that time, PRE had made payments totaling approximately \$23,000.

10 19. In May, 1995, Hamilton learned that Anderson and Anderson's then wife were in the
11 process of obtaining a divorce. Hamilton told Anderson that because he knew both Anderson and
12 Anderson's then wife, he did not want to be involved in the divorce. Hamilton claims he told Judge
13 Anderson that he was going to stop making the loan payments. Nevertheless, Hamilton's company,
14 PRE, thereafter made a final lump-sum payment on the loan of approximately \$8,000. This payment
15 was made even though the loan was not due.

16 20. Judge Anderson testified that he repaid Hamilton for the \$8,000 lump-sum payment
17 approximately two weeks after PRE made the final payment, and that he did so by personally
18 delivering approximately \$8,000 in cash to Hamilton. No receipt exists showing that this money was
19 paid by Judge Anderson. There is also no document showing Hamilton or PRE receiving the funds.
20 Judge Anderson has no records showing that he ever obtained the cash he allegedly paid to
21 Hamilton. He states that he obtained the majority of the cash from his then girlfriend and now wife,
22 Ms. Kelbaugh. There are no documents showing that Ms. Kelbaugh obtained the cash from a bank
23 or any other source.

24 21. Hamilton acknowledges that he did not pay the \$8,000 he allegedly received to his
25 corporation, PRE, which had made the final \$8,000 payment on Judge Anderson's behalf. Hamilton
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1 testified that a loan he had previously made to PRE was reduced by \$8,000 to reflect his alleged
2 receipt of the cash from Judge Anderson, and that PRE's books reflected this reduction. When the
3 accounting records of PRE were subsequently obtained, they did not show any such reduction in any
4 loan by Hamilton to PRE.

5 22. Judge Anderson did not disclose the loan payments made on his behalf in his filings
6 with the Public Disclosure Commission.

7 **III. BASIS FOR COMMISSION ACTION**

8 1. On March 11, 1997, the Commission sent Judge Anderson a Statement of Allegations
9 pursuant to CJCRP 17(e). Judge Anderson responded to the Statement of Allegations on April 2,
10 1997.

11 2. On August 1, 1997, the Commission determined that there was probable cause that
12 Judge Anderson violated Canons 1, 2(A), 5(C)(3) and 6(C) of the Code of Judicial Conduct, which
13 provide in pertinent part:

14 **Canon 1**

15 **Judge Shall Uphold the Integrity and
16 Independence of the Judiciary.**

17 An independent and honorable judiciary is indispensable to
18 justice in our society. Judge should participate in establishing,
19 maintaining, and enforcing high standards of judicial conduct,
20 and shall personally observe those standards so that the
21 integrity and independence of the judiciary will be preserved.
22 The provisions of this Code are to be construed and applied to
23 further that objective.

24 **Canon 2**

25 **Judges Should Avoid Impropriety and the Appearance of
26 Impropriety in All Their Activities.**

(A) Judges should respect and comply with the law and act at
all times in a manner that promotes public confidence in the
integrity and impartiality of the judiciary.

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Canon 5

Judges Shall Regulate Their Extrajudicial Activities to Minimize the Risk of Conflict With Their Judicial Duties.

. . . .

(C) Financial Activities

. . . .

(3) Subject to the requirements of Canon 5(C)(1) and (2), judges may hold and manage investments, including real estate, and engage in other remunerative activity, but should not serve as officers, directors, managers, advisors or employees of any business.

Canon 6

Judges Shall Regularly File Reports of Compensation Received for Quasi-Judicial and Extra-Judicial Activities.

Judges may receive compensation and reimbursement of expenses for the quasi-judicial and extrajudicial activities permitted by this Code, if the source of such payments does not give the appearance of influencing the judges in their judicial duties or otherwise give the appearance of impropriety, subject to the following restrictions:

. . . .

(C) Public Reports. A judge shall make such financial disclosures as required by law.

3. On August 1, 1997, the Commission determined that there was probable cause that Judge Anderson committed the following violations of the Code of Judicial Conduct:
- a. Judge Anderson violated Canons 1 and 2(A) of the Code of Judicial Conduct by accepting an offer to have his car loan payments made by Mr. Hamilton at the same time Judge Anderson and Mr. Hamilton were in the process of effectuating an after-the-fact reduction of nearly \$100,000 in the amount owed by Hamilton's company, PRE, to Pacific Lanes.
 - b. Judge Anderson violated Canons 1 and 2(A) by pledging the Note for \$250,000 to First Interstate Bank as security for a loan without disclosing the existence of the alleged agreement to reduce the amount of the Note.

1 c. Judge Anderson violated Canons 1 and 2(A) of the Code of Judicial Conduct
2 by charging Pacific Lanes a monthly management fee during the period when Mr. Hamilton was
3 allegedly managing Pacific Lanes.

4 d. Judge Anderson violated Canons 1 and 2(A) of the Code of Judicial Conduct
5 by knowingly giving the following false deposition testimony in a Commission proceeding:²

6 Q: Did you ever tell your wife that the Cadillac payments were
7 a commission as to the sale of Pacific Lanes to Mr.
Hamilton.

8 A: **No. Because they weren't.**

9 Q: Did you ever make any statement to that effect to your
10 wife?

11 A: **Not that I am aware of. I don't know why I would
because they were not.**

12 e. Judge Anderson violated Canons 1 and 2(A) of the Code of Judicial Conduct
13 by knowingly giving the following false deposition testimony in a Commission proceeding:³

14 Q: Up at the top, [the document] says "Pacific Lanes Purchase
15 Price Adjustments Per Discussions With Grant Anderson
and Bill Hamilton"?

16 A: Yes, I see that.

17 Q: Did you have any such discussions after January 1 of 1993?

18 A: **I don't believe so, not to my knowledge.**

19 Q: Is it your recollection that the discussions reflected herein
20 took place prior to December 31st of 1992?

21 A: **Yes.**

22 f. Judge Anderson violated Canons 1, 2(A) and 6(C) of the Code of Judicial
23 Conduct by failing to disclose the Cadillac loan payments made on his behalf by PRE on his public
24 disclosure filings in 1993, 1994 and 1995.

25 _____
²The testimony alleged to be false is in bold print.

26 ³The testimony alleged to be false is in bold print.

1 g. Judge Anderson violated Canons 1, 2(A) and 5(C)(3) of the Code of Judicial
2 Conduct by continuing to serve as President of Hoffman-Stevenson, Inc., Pacific Lanes, Inc., and
3 Surfside Inn, Inc., through 1993, after becoming a Superior Court judge.

4 IV. PROCEDURE FOR RESPONDENT TO ANSWER STATEMENT OF CHARGES

5 In accordance with CJCRP 20(a), respondent Judge Anderson shall file a written answer to
6 this Statement of Charges with the Commission and serve a copy on disciplinary counsel in this
7 matter, Peter D. Byrnes and Paul R. Taylor, Byrnes & Keller LLP, 1000 Second Avenue, 38th Floor,
8 Seattle, Washington, 98104, within 21 days after service of the Statement of Charges. As provided
9 by CJCRP 21(a), failure to timely answer shall constitute an admission of the factual allegations.

10 Dated this 4th day of August, 1997.

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13 _____
14 David Akana, Executive Director
15 Commission on Judicial Conduct
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