STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: THE LITIGATION PRACTICE GROUP, P.C.; TONY DIAB; and DANIEL MARCH, Respondents.	Case No. DM-23-0062 FINAL ORDER TO CEASE AND DESIST AND FINAL ORDER DENYING THE USE OF EXEMPTIONS AND ASSESSING CIVIL PENALTIES, ENTERED BY DEFAULT **AGAINST TONY DIAB ONLY**

The Division of Financial Regulation (the "Division"), acting on behalf of the Director of the Department of Consumer and Business Services for the State of Oregon (the "Director"), conducted an investigation of The Litigation Practice Group, P.C. ("LPG"), Tony Diab ("Diab"), and Daniel March ("March") (collectively, the "Respondents"). The Division determined that Respondents violated provisions of Oregon Revised Statutes ("ORS") 697.602, *et seq*. and Oregon Administrative Rules ("OAR") 441-910-0000 through 441-910-0200 (collectively, "Oregon Debt Management Service Provider Law").

On January 9, 2024 and on February 7, 2024, the Director issued and served on Diab an Order to Cease and Desist, Proposed Order Assessing Civil Penalties, and Notice of Right to an Administrative Hearing (the "Notice Order"). The Notice Order offered Diab an opportunity for a hearing if requested within 20 days of service of the Notice Order. The Notice Order further informed Diab that if a hearing was not conducted because Diab did not timely request a hearing or otherwise defaulted, then the designated portion of the Division's file and all materials submitted by Diab in the case would automatically become part of the contested case record for the purpose of proving a prima facie case.

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FINDINGS OF FACT

The Director FINDS that:

1. LPG is a California professional corporation that provided debt management services to consumers. By 2022, LPG was servicing more than 50,000 customers nationwide and had annual estimated revenue totaling $150 million. Its principal place of business and mailing address is listed with the California Secretary of State as 17542 E 17th Street, Ste. 100, Tustin, CA 92780.

2. LPG operates a website for the purpose of advertising its services at www.lpglaw.com. On its website LPG advertises itself as a law firm specializing in debt relief and litigation for consumers. Specifically, LPG's website claims to be able to assist consumers in the following situations:

- "I need help consolidating **unstructured debt** from multiple sources and credit lines" [emphasis in original].
- "**My credit report was damaged** and needs to be worked on by a knowledgeable lawyer" [emphasis in original].
- "GET NEGATIVE ITEMS OFF MY CREDIT"

3. LPG's website goes on to state, "[LPG's] attorneys can get to work for you dealing with your creditors and utilizing the full extent of the law to find a resolution that is in your favor. There are many tactics from settlement to debt validation that our law firm can pursue with your creditors and their collections branches or divisions."

4. In its standard client "Legal Services Agreement," LPG promises to do the following, among other services:

- "to render all legal assistance necessary to resolve [the consumer's] debts,"
- "obtain a copy of [the consumer's] credit report to assist in the process of analyzing [the consumer's] account and developing a strategy regarding the resolution of debts that are excessive or otherwise unauthorized by law,"

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- "interact with creditors and credit bureaus on [the consumer's] behalf to invalidate [the consumer's] debts by requiring them to supply evidence of [the consumer's] debt, or any other legal mechanism," and
- "investigate [the consumer's] delinquent accounts in order to determine the most effective method of invalidating [the consumer's] debts or otherwise removing any legal liability for such debts…."

5. LPG's standard client "Legal Services Agreement" further states: "You may request that LPG settle any debt identified below at any point in the course of LPG's representation of you. Where requested, LPG will negotiate the most favorable settlement it is able to negotiate on your behalf."

6. Diab is an individual residing in the State of California who practiced law before being disbarred in California and Nevada for forging a judge's signature and stealing large amounts of client funds. After being disbarred, Diab transferred his existing debt resolution practice to LPG. Despite his disbarment, Diab controlled and operated LPG from its inception, effectively practicing law without a license. Diab's current address is 20101 SW Cypress St., Newport Beach, CA 92660, and he appears to maintain a post office box located at 1278 Glenneyre St., #8, Laguna Beach, CA 92651-3103.

7. March is an individual residing in the State of California who is listed as the registered agent, chief executive officer, secretary, and chief financial officer on file with the California Secretary of State for LPG. His address on file is 17542 E 17th Street, Ste. 100, Tustin, CA 92780.

8. On information and belief, March acted primarily as a figurehead, and was used by LPG to conceal the fact that a disbarred attorney—Diab—exercises complete and exclusive control over the firm's finances, IOLTA client trust account, operations, and practice of law. Nonetheless, March was the sole shareholder, director, and officer of LPG,

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and as such, maintained de jure control over the entity that he could have used to rein in LPG's unlawful activities.

9. Instead, on information and belief, March rented his name and bar license for an annual salary of $600,000, and allowed Diab to, in essence, use LPG as an alter ego to conduct the unauthorized practice of law and provide debt management services.. These activities included signing March's signature on contracts on behalf of LPG, communicating with third parties on behalf of LPG, and making financial decisions regarding client funds. To hide his unlawful practice of law and the fact that he was providing debt management services, Diab communicated with third parties on LPG's behalf under the label "Admin" and using the email address "admin@lpglaw.com." However, Diab was not, as a matter of law, a shareholder, director, officer, or employee of LPG, and therefore, the unregistered debt management services that he was providing in LPG's name were independent and separate from the unregistered debt management services that were being provided by LPG's officers, employees, and affiliates.

10. In February 2023, LPG suddenly began transferring all of its clients, files, and assets to other law firms that were, in fact, alter egos of LPG, March, and/or Diab. Among those alter ego law firms was Phoenix Law PC ("Phoenix Law"), which had just filed its articles of incorporation with the California Secretary of State on January 10, 2023.

11. On March 20, 2023, not long after completing the transfer of most of its clients and assets, LPG filed for protection under Chapter 11 of the United States Bankruptcy Code in the Central District of California, under Case No. 8:23-bk-10571. After conducting an initial investigation, on May 25, 2023 bankruptcy trustee Richard A. Marshack (the "Trustee") filed a complaint in an adversarial proceeding alleging that the client and asset transfers that LPG had recently performed were fraudulent transfers conducted in order to avoid having to claim them as LPG assets in its bankruptcy and to leave LPG insolvent.

12. While it was fraudulently transferring its clients and assets and participating in

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its ongoing bankruptcy, LPG effectively left its clients without the debt management services that it was obligated to provide, despite continuing to collect fees from its clients. Many of those clients likely suffered harm in the form of lost settlement opportunities, falling credit scores, and new lawsuits filed by their creditors.

13. In an effort to protect LPG's clients, the Trustee successfully obtained an order from the bankruptcy court on July 22, 2023 to sell substantially all of LPG's assets, including its client files, to a third party law firm called Morning Law Group, P.C. This firm is now servicing all of LPG's former clients.

14. Beginning in July 2022, an Oregon consumer who will be identified for purposes of this Order as AB contracted with LPG to help resolve AB's debts.

15. AB paid LPG $254.73 per month for eight months, totaling $2,037.84.

16. Respondents did not perform any budget analysis and did not make any effort to evaluate whether LPG' services would be advantageous for AB.

17. AB attempted to contact LPG through emails and phone calls from November 2022 through February 2023. She received no responses or answers to any of this correspondence from LPG, and as a result, missed opportunities to accept advantageous settlement offers from her creditors.

18. Beginning in December 2022, a second Oregon consumer, who will be identified for purposes of this Order as TS, contracted with as LPG to help resolve TS's debts.

19. TS paid LPG $254.73 per month for four months, totaling $1,018.92.

20. Respondents did not perform any budget analysis and did not make any effort to evaluate whether LPG' services would be advantageous for TS.

21. Beginning in approximately May 2022, a third Oregon consumer, who will be identified for purposes of this Order as DB, contracted with LPG to help resolve DB's debts.

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22. DB paid LPG and, beginning in approximately February 2023, Phoenix Law, $367.31 per month for fourteen months, totaling $5,142.34.

23. Respondents did not perform any budget analysis and did not make any effort to evaluate whether LPG' services would be advantageous for DB. Instead, LPG instructed DB to cease paying all of his creditors. As a result, by the time DB ordered his bank to cease payments to LPG and Phoenix Law, PC, his credit score had dropped from 715 to 440.

24. A fourth Oregon consumer, who will be identified for purposes of this Order as LC, contracted with as LPG to help resolve LC's debts.

25. LC paid LPG $254.00 per month for at least two months, totaling at least $508.00.

26. Respondents did not perform any budget analysis and did not make any effort to evaluate whether LPG' services would be advantageous for LC.

27. LPG is not, and has never been, registered with the Director as a Debt Management Service Provider.

28. LPG is not incorporated as a business entity in the State of Oregon, and neither Diab nor March are licensed to practice law in the State of Oregon.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

Unregistered Activity

29. ORS 697.612(1)(a) prohibits persons not registered with the Director from performing debt management services.

30. Under ORS 697.602(2)(b) "Debt Management Service" includes "[i]mproving or offering to improve or preserve a consumer's credit record, credit history or credit rating."

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31. Under ORS 697.602(2)(c) "Debt Management Service" includes "[m]odifying or offering to modify terms and conditions of an existing loan from or obligation to a third party."

32. Under ORS 697.602(2)(d) "Debt Management Service" includes "[o]btaining or attempting to obtain as an intermediary on a consumer's behalf a concession from a creditor including, but not limited to, a reduction in the principal, interest, penalties or fees associated with a debt."

33. Respondents violated ORS 697.612(1)(a) in at least four instances by offering to provide debt management services to AB, TS, DB, and LC, without being registered with the Director as a Debt Management Service Provider ("DMSP"), related to: 1) improving their credit record, credit history or credit rating; 2) offering to negotiate—and therefore modify—terms and condition of existing loans; and 3) offering to act as an intermediary to obtain creditor concessions by "negotiat[ing] the most favorable settlement" on their behalf.

Failure to Perform Budget Analysis

34. Under ORS 697.652(2), a DMSP may not contract to perform debt management services for a consumer without first giving the consumer an analysis of the consumer's budget that evaluates whether the debt management services being offered are advantageous to the consumer.

35. By failing to provide the AB, TS, DB, and LC with separate budget analyses, Respondents violated ORS 697.652(2) in at least four instances.

Excessive Initial Fee

36. Under ORS 697.692(1), a DMSP may charge a consumer only the fees itemized in ORS 697.692(1)(a) to (f).

37. Under ORS 697.692(1)(a), an initial fee charged by a DMSP may not exceed $50.

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38. By charging AB, TS, DB, and LC initial fees ranging between $254.00 and $367.31, Respondents violated ORS 697.692(1)(a) in at least four instances.

Excessive Monthly Fee

39. Under ORS 697.692(1)(c), a DMSP who receives funds from a consumer for the payment to consumer's creditors may not exceed $65 per month.

40. By charging and collecting from AB, TS, DB, and LC monthly fees ranging between $254.00 and $367.31, Respondents violated ORS 697.692(1)(c) in at least four instances.

Cease and Desist Authority

41. Under ORS 697.825(1)(a), because the Director has reason to believe that Respondents have engaged in violations of the Oregon Debt Management Service Provider Law, the Director may issue an order to LPG to cease and desist from violations of ORS 697.612, ORS 697.652, and ORS 697.692.

Civil Penalties Authority

42. Pursuant to ORS 697.832(1), the Director may impose a civil penalty on a person in an amount not to exceed $5,000 for each violation of ORS 697.612 and ORS 697.642 to ORS 697.702.

ORDERS

Now therefore, the Director issues the following Orders:

Cease and Desist

43. Pursuant to ORS 59.245(4) and ORS 645.200(4), the Director hereby ORDERS Diab to CEASE AND DESIST from violating from violating ORS 697.612, ORS 697.652 and ORS 697.692.

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Civil Penalties

44. As authorized by ORS 697.832(1), the Director hereby ORDERS that a CIVIL PENALTY of $80,000 be assessed against Diab as follows:

A. $20,000 for four separate violations of ORS 697.612(1)(a);

B. $20,000 for four separate violations of ORS 697.652(2)

C. $20,000 for four separate violations of ORS 697.692(1)(a); and

D. $20,000 for four separate violations of ORS 697.692(1)(c).

DESIGNATION OF FINAL ORDER

45. This Order is a "Final Order" under ORS 183.310(6)(b). Subject to that provision, the entry of this Order does not limit other remedies that are available to the Director under Oregon law.

IT IS SO ORDERED.

Dated this 19th day of March, 2024.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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NOTICE OF RIGHT TO JUDICIAL APPEAL

Judicial review of final orders in contested cases is governed by ORS 183.482. Respondents may request judicial review by filing a petition with the Court of Appeals in Salem, Oregon, within 60 days from the date this order is serve.

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