UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF VIRGINIA
ROANOKE DIVISION

IN RE: TIMOTHY JAMES WILLIAMS, JR., and ANDRIAN SHANNON WILLIAMS, Debtors.	Chapter 7 Case Number 15-71767
JUDY A. ROBBINS, United States Trustee For Region Four, Plaintiff, *v.* DARREN DELAFIELD, UPRIGHT LAW LLC, LAW SOLUTIONS CHICAGO LLC, JASON ROYCE ALLEN, KEVIN W. CHERN, EDMUND SCANLAN, and SPERRO LLC, Defendants.	**Adversary Proceeding** **Case Number 16-07024**
IN RE: JESSICA DAWN SCOTT, Debtor.	Chapter 7 Case Number 16-50158
JUDY A. ROBBINS, United States Trustee For Region Four, Plaintiff, *v.* JOHN C. MORGAN, JR., JOHN C. MORGAN, JR., PLLC, UPRIGHT LAW LLC, LAW SOLUTIONS CHICAGO LLC, JASON ROYCE ALLEN, KEVIN W. CHERN, EDMUND SCANLAN, and SPERRO LLC, Defendants.	Adversary Proceeding Case Number 16-05014 (consolidated with Adversary Proceeding No. 16-07024)

PROPOSED FINDINGS OF FACT

General Background Regarding The Defendants

1. Kevin W. Chern ("Chern"), an attorney that is not licensed to practice law in Virginia, is a part owner of Law Solutions Chicago LLC ("LSC");

a. Chern holds himself out as an expert in law firm management;

b. Chern owned a part interest in a lead generating company called Total Attorneys and LSC was a client of Total Attorneys; and

c. In or about October 2013, Chern acquired an ownership interest in LSC and assumed the title "managing partner" of LSC.

d. Chern was also a partner at Macey and Chern, a Chicago bankruptcy law firm that no longer operates. Other known iterations of Macey and Chern include "Macey, Chern, and Diab", and "Legal Helpers PC, a service of Macey, Chern & Diab."

2. Jason Royce Allen ("Allen"), an attorney that is not licensed to practice law in Virginia, is a part owner of LSC;

a. Allen was the sole owner of LSC from approximately 2010 until October 2013; and

b. While Allen solely owned LSC, it operated as a traditional brick and mortar law firm.

3. Law Solutions Chicago LLC ("LSC") is an Illinois company that is not authorized to transact business or practice law in Virginia;

a. LSC filed articles of organization with the Illinois Secretary of State on October 10, 2008;

b. Chern, Allen, and Lynn Coleman are listed in documents filed with the Illinois Secretary of State as the managers of LSC;

c. LSC obtained a certificate of registration to engage in the practice of law in Illinois pursuant to Rule 721 of the Illinois Supreme Court;

d. On April 21, 2014, LSC filed Form LLC-1.20 with the Illinois Secretary of State to transact business in Illinois under the name Upright Law LLC;

i. LSC also operates under active assumed names of: "Jason Allen Law, LLC" and "Allen & Associates, LLC;" and

ii. LSC has inactive assumed names of: "Immediate Payroll Information Services, LLC" and "Law Solutions;"

iii. LSC also holds itself out as a service of "Allen Chern Law";

e. LSC solicits clients over the Internet;

f. From 2014 until after the filing of the complaints initiating these adversary proceedings, LSC represented on the website www.uprightlaw.com that it had "Local Offices Nationwide";

i. LSC did not and does not have offices nationwide; and

g. LSC's office is located at 79 W. Monroe St., Chicago, Illinois.

4. Edmund Scanlan ("Scanlan"), a non-attorney, is in reality a part owner of LSC;

a. LSC represented on www.uprightlaw.com that Scanlan was the chief executive officer of "Upright Law".

5. John C. Morgan, Jr. ("Morgan") is a member of the bar of the United States Bankruptcy Court for the Western District of Virginia and as of the filing of the complaints practiced law through his firm John C. Morgan, Jr., PLLC ("JCM PLLC");

a. On February 6, 2005, Morgan filed a Case Management/Electronic Case Filing (ECF) System Full Participant Registration Form in which he stated his firm name as "John Carter Morgan, Jr., PLLC";

i. JCM PLLC did not hold a certificate of registration from the Virginia State Bar ("VSB") until after the commencement of the Scott Adversary Proceeding;

b. Morgan's law office is located at 98 Alexandria Pike, Suite 10, Warrenton, Virginia 20186.

6. Darren T. Delafield ("Delafield") is a member of the bar of the United States Bankruptcy Court for the Western District of Virginia.

a. Delafield's law office is located at 4311 Williamson Road, NW, Roanoke, VA 24012;

b. Although he is a sole-proprietor, he advertises as a professional corporation; and

c. Delafield is subject to a prior order of this Court entered in case number 12-71417 on April 30, 2013 ("Delafield Order"), regarding his representation of debtors. Among other things, the prior order requires Delafield to witness his clients sign documents, charge reasonable fees, and maintain and keep contemporaneous time records for all bankruptcy work.

7. Upright Law LLC ("Upright") is a Virginia company that is authorized to practice law as a firm in Virginia;

a. Upright filed articles of organization with the Virginia State Corporation Commission on January 9, 2015;

i. The articles listed Morgan's office address as the address for Upright's principal office;

A. Upright's principal office address is currently listed as 79 W. Monroe St., Chicago, Illinois;

b. Upright provided the VSB with a copy of its articles of organization on January 29, 2015. Thereafter, on March 3, 2015, the VSB provided notice to Upright that it would not be issued a certificate of registration until it submitted an application (which the VSB attached to its letter) and paid the required fee. The VSB mailed its March 3, 2015, letter to Upright's registered agent;

i. Despite receiving notice it was not being issued a certificate of registration, Upright continued to hold itself out as a Virginia law firm;

c. On August 12, 2015, Upright submitted an application for a certificate of registration and the VSB issued it a certificate of registration;

i. The VSB Application listed Upright Law LLC's address as 79 W. Monroe Street, Fifth Floor, Chicago, Illinois 60603.

8. Brian K. Fenner ("Fenner"), a non-attorney, testified he owns Collateral Services of Indiana LLC ("CSI"), Collateral Services LLC, Sperro LLC ("Sperro"), and Fenner & Associates LLC ("F&A");

a. Sperro, Collateral Services of Indiana LLC, Collateral Services LLC, and Fenner & Associates LLC are Indiana companies;

b. Fenner operated CSI as a business offering towing and storage services until approximately May 22, 2015, when he began operating as Sperro;

c. Fenner attempted to hold out F&A as a law firm providing free bankruptcy representation to debtors;

i. By at least May 26, 2015, Chern was aware of Fenner's efforts to misrepresent F&A as a law firm;

9. LSC, Upright Law LLC, Delafield, JCM PLLC, and Morgan are debt relief agencies.

Chern And Scanlan Become Part Owners Of LSC

10. Chern and Scanlan have a history of owning businesses together. Chern and Scanlan were each 50% owners of Total Attorneys until approximately 2013. Chern and Scanlan also owned a credit counseling agency until they sold their interests in 2015.

11. In 2013, Chern and Scanlan developed a business plan that involved the creation of a technology platform to be promoted as a national law firm. Thereafter, Chern and Scanlan approached Allen about implementing the business plan. Chern and Scanlan contributed money to LSC, LSC's operating agreement was amended to add Chern as a Class A member, Chern became the "managing partner" of LSC, Allen became the "president" of LSC, Scanlan became the "chief executive officer" of LSC., Justiva LLC ("Justiva"), Royce Marketing LLC ("Royce"), and Mighty Legal LLC ("ML") were created with Chern, Scanlan, and Allen holding interests therein either directly or indirectly.

a. Justiva, Royce, and ML protect Scanlan's investment into LSC and disguise his ownership interest in LSC;

i. Royce and ML are wholly owned subsidiaries of Justiva; and

ii. The operations of LSC are structured such that virtually all of its potential profits flow from it to Justiva via either Royce or ML;

A. LSC began doing business as "Upright Law" after Chern and Scanlan joined LSC;

B. The domain name www.uprightlaw.com is registered to Justiva and LSC pays licensing fees to Royce Marketing LLC for the use of the domain name;

C. Justiva trademarked "Upright Law" and LSC pays licensing fees to use the mark;

D. After Chern and Scanlan joined LSC, ML created client relationship management software for use in LSC that is integral to LSC's "national firm" business model and LSC pays it seat license fees for the software;

E. LSC pays "agency fees" to ML for third party owned software such as Best Case which software is necessary to LSC's operations;

F. LSC pays "agency fees" to Royce based on marketing costs to advertise as "Upright Law";

G. LSC pays a factor of 1.1 times the actual payroll cost to ML for leased employees;

H. LSC pays a 20% percent fee to ML based on expensed items for ML performing services such as premises management, procuring leases, performing cash management services, and "a variety of other administrative services".

b. After Scanlan and Chern joined LSC, Scanlan, Chern, and Allen began drawing approximately equal pay from LSC;

c. Scanlan owns 90% of an entity named "Ajax, LLC" ("Ajax") and a family trust for the benefit of his family owns 10% of "Ajax";

i. "Ajax" owns an approximately 30% membership interest in Justiva LLC;

d. Chern has an interest in Happy Times, LLC via a revocable trust that owns a 90% interest in it and a family trust that owns a 10% interest in it;

i. Happy Times, LLC owns approximately a 30% membership interest in Justiva LLC; and

e. Allen owns an approximately 14% membership interest in Justiva LLC.

The Transformation Of LSC

12. Shortly after Chern and Scanlan joined LSC, Chern began promoting LSC as a new national law firm and, at the time the complaints were filed, LSC's website stated that "all legal services are provided by affiliated and related entities" and it stated that Scanlan was the "CEO of the firm in all states except TX where his title is Administrator".

13. LSC is not a national law firm. LSC is primarily a marketing and referral company. LSC's principal business is operating a call center marketing bankruptcy through high pressure sales tactics to prospective debtors, most of whom are assisted persons;

a. LSC uses salespeople to market bankruptcy, it gives the salespeople quotas on fees they have to collect from new clients, and salespeople are partially compensated via a commission on actual fees collected from clients.

14. At least one attorney in Illinois files bankruptcy cases in Illinois on behalf of LSC d/b/a "Upright Law".

General Summary Of LSC's Marketing Business

15. LSC obtains prospective debtors primarily through one of two ways: When a prospective debtor reviews www.uprightlaw.com, the prospective debtor is asked to provide his

or her contact information to learn if they qualify for bankruptcy relief. Thereafter, agents of LSC located in Chicago call the prospective debtor, ask questions about his or her financial situation, give the prospective debtor legal advice, offer and enter into a retention agreement with the prospective debtor, and take payment from the prospective debtor in connection with the retention agreement.

16. Alternatively, a prospective debtor can call LSC directly in which case the call is answered in Chicago and the agents of LSC ask questions about the prospective debtor's financial situation, give the prospective debtor legal advice, offer and enter into retention agreements with the prospective debtor, and take payment from the prospective debtor in connection with the retention agreement.

17. LSC's staff cannot "process a client" unless the prospective debtor is able to or willing to either make an immediate payment or schedule a payment to be electronically debited in the future.

18. The majority of the people with whom LSC enters into verbal retention agreements with (and who are provided written agreements to hire Upright) pay over time.

19. At all times relevant to these adversary proceedings, prospective debtors that communicate with agents of LSC are not placed into contact with a "partner attorney" licensed to practice law in Virginia until after the person has received legal advice from a senior client consultant, has paid money or set up a future payment, and has entered into a "verbal retention" agreement with the senior client consultant.

20. Only after LSC collects the full amount quoted does LSC "handoff" the debtor to a "partner" of Upright who is then expected to begin collecting documents from the debtor and prepare the documents necessary to prosecute a bankruptcy case.

21. Persons that enter into "verbal retention" agreements with LSC are told that if they miss a payment or try to change payments then the representation may be unilaterally terminated by LSC.

22. A large percentage of residents of the WDVA that have entered into "verbal retention" agreements with LSC have their file closed without a case being filed and LSC largely retains the money paid by the prospective debtors.

23. For clients whose file is not closed and a case is filed, LSC pays the "partner" a percentage of the fee received by LSC from the prospective debtor after the petition is filed and pays an additional percentage of the fee received after the discharge order is entered.

LSC Begins Marketing To Residents Of The Western District Of Virginia

24. In January 2014, Chern solicited Morgan to become a "partner" of LSC. Within 5 days of receiving a pitch email from Chern, Morgan signed a "Partnership Agreement" with LSC. Scanlan then "turned on" Virginia.

a. The "Partnership Agreement" provides that Morgan "has no right to participate in the management of [LSC]";

b. When deposed, Morgan did not identify LSC as a firm in which he is a partner and did not know what it did.

25. Although LSC was neither authorized to transact business in Virginia nor authorized to practice law in Virginia as a firm, by February 2014, LSC began accepting attorney fees from residents of the Western District of Virginia ("WDVA").

26. On April 14, 2014, LSC domesticated in Virginia. Thereafter, it was authorized to transact business in Virginia, but was not authorized to practice law in Virginia as a firm;

a. Morgan signed a Case Management/Electronic Case Filing (ECF) System Full Participant Registration Form dated October 9, 2014, which lists his firm as "Upright Law LLC" and he tendered it to the Clerk. The Clerk issued Morgan a new CM/ECF username and password (the "Morgan Upright ECF Password").

b. On October 29, 2014, the Morgan Upright ECF Password was used to file case number 14-51144 (*In re Long*).

c. On October 31, 2014, the Morgan Upright ECF Password was used to file case number 14-71520 (*In re Duncan*).

d. Overall, at least 9 cases, most under chapter 7 and at least 1 under chapter 13, have been filed in this court under the Upright ECF password issued to Morgan;

27. In December 2014, Chern solicited Delafield to become a "partner" of "Upright Law". On December 3, 2014, Chern sent Delafield a pitch email and within 3 weeks, Delafield signed a "Partnership Agreement" with LSC;

a. The "Partnership Agreement" provides that Delafield "has no right to participate in the management of [LSC]";

b. When deposed, Delafield did not identify LSC as a firm in which he was a partner and he did not know where LSC was located in Virginia, whether it was a debt relief agency, and did not know if LSC was a law firm.

28. On or about January 9, 2015 Upright Law LLC ("Upright") filed articles of organization with the Virginia State Corporation Commission;

a. LSC is the sole member and manager of Upright;

b. Morgan signed a "Partnership Agreement" with Upright as did Delafield;

i. On or about January 20, 2015, Morgan signed a document bearing

the heading "Partnership Agreement" which stated it was "made by and between Upright Law PLLC, a Virginia professional limited liability company doing business as UpRight Law LLC ("**Firm**") and John C. Morgan ("**Partner**", and, together with Firm, the "**Attorneys**")";

A. The "Partnership Agreement" provides that Morgan "has no right to participate in the management of [UpRight Law LLC]";

B. The "Partnership Agreement" also imposes improper restrictions on Morgan's ability to solicit clients ifi-if he disassociates;

C. Morgan does not advertise for Upright;

D. With respect to Upright, Morgan denies having the duties and responsibilities of a partner in a law firm;

E. Upright does not operate as a firm in that attorneys associated with it have no way to run proper conflicts checks;

F. Although designated a manager in documents filed with the VSB, Morgan does not know who reconciles Upright's trust accounts.

G. Morgan does not refer clients to Upright;

ii. On or about January 22, 2015, Delafield signed a document bearing the heading "Partnership Agreement" which stated it was "made by and between Upright Law PLLC, a Virginia professional limited liability company doing business as UpRight Law LLC ("**Firm**") and Darren Delafield ("**Partner**", and, together with Firm, the "**Attorneys**")";

A. The "Partnership Agreement" provides that Delafield "has no right to participate in the management of [UpRight Law LLC]";

B. The "Partnership Agreement" also imposes improper restrictions on Delafield's ability to solicit clients if he disassociates;

C. Delafield does not advertise for Upright;

D. With respect to Upright, Delafield denies having the duties and responsibilities of a partner in a law firm;

E. Upright does not operate as a firm in that attorneys associated with it have no way to run proper conflicts checks;

F. Although designated a manager in documents filed with the VSB, Delafield does not know who reconciles Upright's trust accounts;

G. Delafield does not refer clients to Upright;

iii. Upright does not have a written operating agreement.

c. Delafield signed a Case Management/Electronic Case Filing (ECF) System Full Participant Registration Form dated January 9, 2015, which lists his firm as "Upright Law LLC" and he tendered it to the Clerk. The Clerk issued Delafield a CM/ECF username and password which he used in connection with cases filed on behalf of clients that entered into engagement agreements with Upright (the "Delafield Upright ECF Password"). Prior to Upright obtaining a certificate of registration from the VSB on August 12, 2015, Delafield filed the following cases in this Court:

i. On January 10, 2015, the Delafield Upright ECF Password was used to file case number 15-60037 (*In re McClenton*). The Delafield Upright ECF Password was used to file two adversary proceedings associated with the *McClenton* case

on March 12, 2015 (15-06024, McClenton v. Asset Acceptance, LLC and 15-06025, McClenton v. Springleaf Financial Services);

ii. On January 30, 2015, the Delafield Upright ECF Password was used to file case number 15-70130 (*In re Rubino*);

iii. On February 27, 2015, the Delafield Upright ECF Password was used to file case number 15-70247 (*In re Winners*);

iv. On April 7, 2015, the Delafield Upright ECF Password was used to file case number 15-70470 (*In re Epperson*);

v. On April 27, 2015, the Delafield Upright ECF Password was used to file case number 15-70572 (*In re McDaniel*);

vi. On June 2, 2015, the Delafield Upright ECF Password was used to file case number 15-50564 (*In re Harvey*);

vii. On July 29, 2015, the Delafield Upright ECF Password was used to file case numbers 15-61444 (*In re Richerson*), 15-61445 (*In re Bass*), and 15-71084 (*In re Royall*); and

d. More than 30 cases filed under chapter 7 and chapter 13 have been filed under the Upright ECF passwords issued to Delafield.

29. Virginia law requires companies to, at a minimum, provide members with access to certain records including, but not limited to, income tax returns for the three most recent years, a writing setting out the events of dissolution unless contained in the written operating agreement (to which the member would have access), and financial statements for the three most recent years ("Company Records");

a. Neither Morgan nor Delafield have access to the majority of the Company Records for either LSC or Upright.

30. Through December 31, 2014, LSC collected not less than $X[1] from residents of the Western District of Virginia.

31. From January 1, 2015, to August 12, 2015, when Upright received a certificate of registration from the Virginia State Bar, LSC collected an additional $X[2] from residents of the Western District of Virginia.

32. On August 12, 2015, the Virginia State Bar received an application for a certificate of registration signed by Allen and dated January 9, 2015 (the "VSB Application").

33. The VSB Application listed Morgan as both a member and as a manager of Upright;

a. Neither Morgan nor Delafield have acted as managers of Upright.

34. The VSB Application listed "Darren Deerfield" [sic] as both a member and as a manager of Upright.

a. a. Neither Morgan nor Delafield have acted as managers of Upright.

Creation Of The New Car Custody Program

35. On February 13, 2011, CSI obtained articles of organization. Francis Lennex owned CSI and Fenner worked there. In 2011, CSI operated the "Clean Up The Back Yard" program. In that program, CSI offered to tow cars that that lenders refused to repossess.

[1] The chart containing the figure is currently under seal and, therefore, reference is made to page 5 of US Trustee Exhibit 1, which page either has or will be filed with the Court on a CD.

[2] The chart containing the figure is currently under seal and, therefore, reference is made to page 5 of US Trustee Exhibit 1, which page either has or will be filed with the Court on a CD.

Thereafter, CSI would store them and use Indiana's mechanic's lien statute to strip off the consensual secured creditor's lien.

36. In late 2014 or early 2015, Fenner purchased Lennex's interest in CSI. Fenner then began trying to promote a new business plan through F&A by which he held himself out to the public as law firm offering free chapter 7 bankruptcy representations.

37. Beginning in May 2015, LSC and CSI l/k/a Sperro engaged in a joint venture to convert collateral under the color of law for their mutual benefit (the "New Car Custody Program" or "Program").

38. LSC via Chern and CSI l/k/aSperro via Fenner created the Program. On or about May 8, 2015, Fenner contacted Chern. Fenner discussed entering into a partnership with LSC, and Chern referred Fenner to Mary Robinson for "compliance" work on F&A's website. Chern also began negotiating with Fenner regarding, among other things, rates to be charged by CSI to clients of LSC, promotion of the Program, documents that clients of LSC would sign, how LSC would notify CSI of interested persons, notices that would be given to lenders by LSC so it would "look like we are being aggressive" in attempts to notify lenders, and how CSI would pay LSC. Chern and Fenner negotiated and agreed upon the terms of the transportation and storage agreement to be used in the Program (the "TSA").

39. As a result of their discussions, Fenner and Chern created a new and distinct joint venture between LSC and CSI.

40. On May 21, 2015, Chern wrote a "partner" of LSC, Matthew W. Conrad, the following:

Under IN law, custodian has to hold car for 30 days in order to file a valid mechanics lien

But, if he holds it for 30 days, then it pisses off creditor because of high fees and impairment on lien.

We, want to know if the consumer can sign a voluntary waiver of the 30-day requirement under IN law and allow custodian to file mechanics sooner than the 30-day hold.

Would allow custodian to also avoid Bestowment Rule:
-Party 1 gives custody, changes mind, if custodian already gave car to finance co., then client can sue custodian.

Matt, call me when you a have a moment to discuss.

Later that day, Mr. Conrad provided Chern with copies of a replevin suit concerning a business named Collateral Services LLC that had previously been sued over a towing and storage scheme like the Program. Chern sent the pleadings to Fenner, discussed them with him, expressed concern that Fenner's company had the same name, and, within 3 days, Fenner started doing business as Sperro.

41. Allen handled the day to day operations of the joint venture for LSC and negotiated with Fenner concerning, among other things, the payment of bonuses if clients "surrendered" more than one vehicle.

42. Scanlan spoke with Fenner about integrating technology into F&A's website to obtain leads from F&A.

43. The Program was designed to generate bankruptcy legal fees and bonuses for the LSC while, at the same time, Sperro and its agents profited by obtaining unreasonable towing and storage fees or by liquidating and reselling the debtors' property.

44. F&A paid participating debtors' bankruptcy legal fees to LSC in amounts dictated to Sperro by LSC.

45. Chern was aware of Fenner's intent to delay notice of the transport and storage and prospective auction of debtors' vehicles to secured creditors and, at Fenner's request, LSC

agreed to delay by 5 days the notice that LSC sent to such secured creditors. As Fenner told Chern:

> We have to hold the vehicle so many days before we can perfect our lien by state law. We also need some time to generate a profit margin. I would prefer not to send notification to the lien holder from the existing attorney upfront. The Lien Holder would already be notified in the petition. Any attempts to speed the process would eliminate the perfection of the lien as well as cutting our profit.

46. Chern also knew that collateral would be towed to Sperro's facility on Bluff Road in Indianapolis, Indiana.

47. In an email dated June 18, 2015 (the "Notification Email"), Chern explained to "partners" of "Upright" the Program in the following terms:

> Qualifications:
>
> -Client wants to file for Chapter 7 bankruptcy.
> -Client has a vehicle, motorcycle, boat, truck or other property that client is willing to surrender.
> -The property intended to be surrendered has no equity.
> -The property to be surrendered is worth greater than $5000.
>
> Program Details:
> -Client contacts Sperro LLC (Sperro), a towing and storage company, and arranges for Sperro to take custody of the debtor's property.
> -At time of surrender of vehicle to Sperro, Client signs a towing, storage and custody agreement with Sperro. . .Sperro charges customary and reasonable fees for these services. . .
> -UpRight notifies the finance company. . .that Sperro has custody of the vehicle. . .and they should recover the vehicle as soon as possible to avoid excessive storage fees.
>
> Benefits to Client:
> . . .
> -Immediately upon placing the vehicle in Sperro's custody, Sperro will remit the entire legal fee plus filing fee to UpRight Law on client's behalf. . .

48. Morgan received the Notification Email.

49. Delafield received the Notification Email.

50. Neither Morgan nor Delafield attempted to dissuade LSC from promoting the Program to residents of the WDVA.

51. To qualify for the Program, the collateral had to be fully encumbered and the prospective Program participant intending and able to file a chapter 7 bankruptcy case.

52. To facilitate the conversion of collateral under the color of law, Program participants were required to sign a TSA and odometer disclosure.

53. Fenner needed the TSA to execute the scheme.

54. To obtain a mechanic's lien, Sperro had to hold a car for 30 days at which time the mechanic's lien would arise. Ill. Comp. Stat. § 9-22-6-2(c). After the mechanic's lien arose, Sperro had to advertise a sale and could not conduct the sale for at least 15 days after the lien arose. Ill. Comp. Stat. § 9-22-6-2(c)-(d); *Sperro LLC et al. v. Ford Motor Credit Co. LLC*, Ill. App. Ct. Opinion 49A02-1601-PL-187 **19-21 (November 17, 2016).

55. From Sperro's perspective, the Program culminated with Sperro using the exorbitant fees incurred under the TSA to try to improperly obtain money from secured creditors or to conduct auctions under dubious circumstances of the collateral to satisfy mechanic's liens for the sham fees so that the collateral could be resold for a profit.

56. LSC held David Leibowitz out as its general counsel from at least May 8, 2015, to July 8, 2015.

57. LSC understood the false nature of the fees incurred by prospective debtors under the TSA. The fees were illusory because there was never an intention that they would be asserted against the Program participants or paid by the Program participants.

58. Agents of LSC provided direction to Sperro regarding disputes with creditors and agents of LSC, and in furtherance of the joint venture with Sperro, and communicated in some instances directly with secured creditors or their agents.

59. Chern exercised control over Sperro by directing it in certain instances to return collateral or repay money to lenders.

60. In furtherance of the joint venture, LSC assisted Sperro or agents of Sperro to convince prospective debtors to participate in the Program, to obtain signed TSAs, to arrange for collateral to be picked up by carriers acting on Sperro's behalf, and to frustrate the repossession efforts of secured lenders.

61. Treating joint debtors as a single client, not less than 219 clients of LSC participated in the Program, of which 7 resided in the Western District of Virginia. Ex. 62. The residents of the WDVA that participated in the Program are: Timothy J. Williams, Jr. and Andrian S. Williams (the "Williamses"); Jessica Dawn Scott ("Scott"); Russell McGuire ("McGuire"), Regina and Kenneth White (the "Whites"); Dustin and Shanean Lawson (the "Lawsons"); Shannon Chapman ("Chapman"); and Shirley Massie ("Massie").

Transactions With The Williamses

62. Timothy J. Williamses, Jr. and Andrian S. Williams are assisted persons who filed a bankruptcy petition on December 22, 2015, in this Court.

63. On August 27, 2015, the Williamses spoke to non-attorney agents of LSC.

64. During the initial call, a non-attorney named Alexis Ball, told Mr. Williams that she would do an over the phone consultation with him to see if he qualified to file bankruptcy. After obtaining minimal information from Mr. Williams, Ms. Ball told Mr. Williams that he

seemed "like the perfect candidate for filing for bankruptcy." She also told him that filing bankruptcy would help the Williamses get their "financial . . . independence back."

65. After speaking to Ms. Ball, the Williamses spoke to a "senior client consultant" named Angelo Walsh.

66. Mr. Walsh, a non-attorney, advised the Williamses to participate in the Program.

67. Non-attorneys engaged in unauthorized practice of law by rendering legal advice to the Mr. Williams and/or Ms. Williams including, but not limited to: whether they qualified for bankruptcy; that bankruptcy was a good solution for them; to participate in the Program; whether to continue to pay personal loans and how the bankruptcy would impact the loans; advising the Williamses regarding what their bankruptcy options were and which chapter of bankruptcy to file; advising the Williamses regarding the impact of filing on their credit score; offering and entering into a retention agreement with the Williamses; advising Mr. Williams regarding the Program; advising Mr. Williams to hide his car pending Sperro taking possession; and advising Mr. Williams concerning an employment law matter.

68. After the Williamses entered into a "verbal retention" agreement with LSC, Jacob Brown contacted them and spoke to Mr. Williams. Mr. Brown identified himself as a member of the "onboarding team" and explained the reason for the call as making sure that "[a]ll of our clients get to speak with an attorney very soon after signing up. . . ." Mr. Brown is not licensed to practice law in Virginia.

69. Jacob Brown engaged in the unauthorized practice of law by advising the Williamses on the legality of the Program, which advice would have required an analysis of Virginia law including Va. Code Ann. § 18.2-115.

70. The Williamses were residents of the Western District of Virginia at the time they retained Upright.

71. The Williamses were concerned about the legality of the Program and they were advised by agents of LSC, including by a non-Virginia licensed attorney named Ryan Galloway, that the Program was legal.

72. At the time in question, LSC held Ryan Galloway out as a "Senior Attorney".

73. Agents of LSC advised the Williamses to participate in the Program. LSC represented to the Williamses it had a partnership with Sperro.

74. Sperro sent the Williamsest the transportation and storage agreement filed as US Trustee Ex. 3-29.

75. The Williamses signed a TSA for their Taurus.

76. After a prospective debtor signed a TSA with Sperro, Sperro, via a carrier arranged acting on Sperro's behalf, took possession of the prospective debtor's vehicle and transported it to a facility at 2534 Bluff Road, Indianapolis, Indiana. This occurred in the Williamses' case.

77. In the security agreement between the Williamses and GCB Acceptance Corp. ("GCB"), the lender secured by the Williamses' vehicle, the Williamses agreed to:

> keep the Collateral in good condition and free from liens, libels, claims or charges of any kind; . . .; not to sell, encumber or abandon the Collateral or use it for hire, charter or illegally; not to remove or attempt to remove said collateral from the county and state given above as my address without notifying you in writing, and not to remove the collateral from the continental United States without your express written consent.

78. LSC knew or should have known that the security agreement between the Williamses and GCB prohibited the Williamses from participating in the Program.

79. After LSC advised the Williamses to participate in the Program, a carrier picked up the Williamses' vehicle on September 2, 2015, and transported it to Sperro's facility in Indianapolis, Indiana. Thereafter, on September 9, 2015, agents of LSC mailed a letter to General Acceptance Corporation at 1424 E. Firetower Rd., Greenville, NC 27858 instead of GCB, which letter is US Trustee Exhibit 3-7. The letter purported to be from Delafield; however, Delafield did not approve the letter or send it.

80. Sperro charged inflated fees for towing and storage that were designed to permit it to assert a lien large enough to cover the Program participant's bankruptcy fees paid to LSC plus an additional amount to benefit Sperro.

81. With respect to the Williamses' Taurus, Sperro asserted a mechanic's lien securing a debt of $2,488.45.

82. Sperro improperly auctioned the Williamses' Taurus 37 days after obtaining possession of it.

83. LSC, Upright, and Delafield knew or should have known that Sperro improperly auctioned the Taurus and assisted the Williamses in how this transaction was disclosed in their bankruptcy schedules and statements..

84. LSC told Sperro how much to pay it for bankruptcy attorney fees for the Williamses as it did for other residents of the WDVA that participated in the Program.

85. By the towing and storage agreement with Sperro, which the Williamses entered into upon the advice of the Upright Defendants, Sperro acquired a security interest in the Williamses' 2007 Ford Taurus. The Williamses also agreed to "indemnify, hold harmless and defend Sperro LLC from all claims, demands, actions or causes or action, including attorney fees and all costs that are herein after brought by others arising out of the owners transport/storage

use." As such, Sperro became a creditor of the Williamses, but was not listed in their Schedules as a creditor.

86. Sperro's services were completely unnecessary. Apart from the fact that LSC advised the Williamses to do so to obtain legal fees and costs quicker than they could otherwise pay, the Williamses had no reason to enter into the TSA or allow Sperro to take their vehicle.

87. The Williamses were influenced to participate in the Program because they believed they were receiving legitimate legal advice. Based upon LSC's advice, the Williamses transferred their Taurus to Sperro to pay for the legal fees for LSC's (and Delafield's) bankruptcy representation and to pay for their bankruptcy case filing fee.

88. On September 21, 2015, LSC deposited a $1,650.00 check from F&A into LSC's operating account. On the same day, LSC deposited a $335.00 check from F&A into a different account.

89. The written engagement agreement between the Williamses and Upright is dated October 16, 2015. The Williamses were never provided with a written engagement agreement signed by Delafield or any other agent of Upright.

90. The October 16, 2015, engagement agreement described the fees charged to the Williamses as:

Summary of Fees:

Attorney's Fees: $ 1600.00 Court Filing Fees: $ 335.00 Report Fees: $ 50.00

TOTAL FEES: 1985.00

91. Delafield knew the Williamses participated in the Program and knew that they had given possession of their Taurus to Sperro to pay the fees set by LSC.

92. Schedule A/B does not disclose any wedding and engagement rings, and the Williamses have such property. Schedule A/B does not disclose claims against Sperro, LSC, or other entities arising out of the advice they received to participate in the Program.

93. Additionally, Delafield drafted a Statement of Intention that he knew or should have known contained false information. LSC, Upright, and Delafield knew that the Williamses had given possession of their Taurus to Sperro on or about September 2, 2015. LSC, Upright, and Delafield should have known that Sperro auctioned the Taurus more than 2 months prior to the filing of the case. The Statement of Intention, however, stated that the Williamses intended to surrender the Taurus.

94. The SOFA contained information that LSC, Upright, and Delafield knew or should have known was inaccurate.

95. Delafield counseled the Williamses regarding signing the petition, schedules, and statements he prepared for them.

96. The petition signed by the Williamses does not match the petition filed with the Court.

97. Despite a conflict of interest from improperly advising the Williamses against their best interest by participating in the Program and having them sign documents filed with the Court that they knew or should have known contained false information, among other things, Upright and Delafield represented the Williamses.

98. Delafield signed the Rule 2016 disclosure filed with the petition which misrepresented that Sperro, as opposed to F & A, was the source of the compensation paid and failed to disclose the connection between the parties. The Rule 2016 disclosure also misrepresented the terms of Scott's written engagement agreement.

99. At the Williamses' meeting of creditors, Delafield denied knowing why "Sperro" paid the Williamses' fees.

Transactions Involving Scott

100. Jessica D. Scott is an assisted person who filed a bankruptcy petition with this Court on February 24, 2016.

101. Scott was a resident of the Western District of Virginia at all times relevant to the adversary proceeding filed in her case.

102. By October 2015, Scott was financially distressed.

103. As a result of her financial condition, Scott began searching the Internet for information about bankruptcy. She reviewed LSC's website and contacted "Upright."

104. Scott agreed to retain "Upright" in or about October 2015 and she gave LSC's agents permission to debit her account $100.00 immediately and then $100.00 bi-weekly thereafter until approximately $1,835.00 was received. LSC debited Scott's account and received $100.00 from Scott in October 2015.

105. Scott and LSC discussed her 2005 Pontiac Sunfire, established that she did not want to try to keep, agents of LSC promoted the Program to Scott, and as result, she participated in the Program.

106. LSC represented to Scott that LSC had a partnership with Sperro, and that Sperro would "work out a deal with the bank". LSC agents advised Scott that under the Program, Sperro would take the car, sell it, and use some of the proceeds to pay the fees and expenses quoted for representation of Scott in a chapter 7 case.

107. A non-attorney agent of LSC quoted Scott the following fees to represent her in a chapter 7 case:

Summary of Fees:

Attorney's Fees: $ 1500.00 Court Filing Fees: $ 335.00

TOTAL FEES: 1835.00

108. The written engagement agreement between Scott and Upright is dated October 20, 2015, and bears Morgan's electronic signature even though he did not "approve" her case until October 24, 2015.

109. Scott's Sunfire was collateral for a debt owed to Credit Acceptance Corp. ("Credit Acceptance").

110. In the security agreement between Scott and the lender secured by the Sunfire, Scott agreed as follows:

> You promise that you will not remove the vehicle from the United States or Canada. You will not sell, rent, lease or otherwise transfer any interest in the vehicle or this contract without our written permission. You will not expose the vehicle to misuse or confiscation. You will not permit any other lien or security interest to be placed on the vehicle.

111. After LSC advised Scott to participate in the Program, a carrier picked up her Sunfire on October 20, 2015, and transported it to Sperro's facility in Indianapolis, Indiana.

112. Sperro's services were completely unnecessary. Apart from the fact that LSC advised her to do so to obtain legal fees and costs quicker than Scott could otherwise pay, Scott had no reason to enter into the TSA or allow Sperro to take her vehicle.

113. Scott was influenced to participate in the Program because she believed she was receiving legal advice from a law firm authorized to practice law in Virginia. Based upon LSC's advice, Scott transferred the Sunfire to Sperro to pay for the legal fees for LSC's (and Morgan's) bankruptcy representation and to pay for her bankruptcy case filing fee.

114. Pursuant to the TSA, Sperro acquired a security interest in Scott's Sunfire.

115. On November 17, 2015, LSC deposited a $1,650.00 check from F&A into its operating account. On the same day, LSC deposited a $335.00 check from F & A into a different account.

116. Sperro improperly scheduled an auction of Scott's Sunfire 39 days after obtaining possession of it.

117. LSC, Upright, and Morgan knew or should have known that Sperro improperly auctioned the Sunfire and advised and assisted Scott in how this transaction was disclosed in her bankruptcy schedules and statements.

118. Despite the indemnity provision in the TSA, Scott's schedules did not list Sperro as a creditor.

119. Although by October 24, 2015 Morgan knew of Scott's participation in the Program, he did not try to stop the conversion of the Sunfire or advise Scott of potential causes of action she had as a result of LSC's advice to participate in the Program thereby creating a conflict of interest. He also did not decline to represent her despite having a conflict of interest.

120. After receipt of the F&A checks, LSC handed off Scott to Morgan.

121. A petition and supporting schedules and statements were prepared for Scott.

122. Scott never physically met with Morgan until more than one year and five months after her petition date.

123. Morgan did not personally meet with Scott to review her petition, schedules, and statements with her; rather, non-attorney staff of JCM PLLC met with Scott review the schedules and statements filed in support of the petition.

124. The version of the petition and the Statement of Financial Affairs signed by Scott do not match the documents filed with the Court.

125. Certain documents filed in support of the petition contained information that Morgan knew or should have known contained misrepresentations including:

a. Scott's Schedule A/B does not disclose claims held against Sperro for the improper auction of her car or against LSC for advising her to participate in the Program;

b. Scott's Schedule A/B also does not disclose the $100.00 that LSC owed Scott as a result of her participation in the Program;

c. Schedule F lists "Credit Acceptance" as an unsecured creditor holding a claim in the amount of $6,520.00 as a result of a "Deficiency Balance";

d. according to Statement of Financial Affairs #10, Credit Acceptance repossessed the Sunfire in November 2015 and the Sunfire had a value of $2,000.00;

e. according to Statement of Financial Affairs #15, Scott paid "UpRight Law LLC" $1,500.00 in 2015; and

f. According to Statement of Financial Affairs #18, Scott did not transfer any property in the 2 years before her petition date.

126. Morgan signed the Rule 2016 disclosure filed with the petition which misrepresented that Scott was the source of the compensation paid. The Rule 2016 disclosure also misrepresented the terms of Scott's written engagement agreement.

127. Scott's meeting of creditors was held on March 23, 2016. Scott appeared and testified under oath at the meeting of creditors. JCM PLLC's associate attorney, James McMinn ("McMinn"), appeared with Scott and he had access to her file. McMinn was not associated with either LSC or Upright.

128. During the meeting, Scott testified that the Sunfire was not repossessed, rather "Upright Law took that and or sent out the company, Sperry or something, and they got it…" In addition, Scott testified that she did not pay fees except for a $100 initial draw; all the funds came from the sale of the Sunfire. Scott further testified that she gave the vehicle to Upright to sell for payment of the attorney's fees.

129. McMinn discussed Scott's meeting of creditors with Morgan when he returned to the office.

130. In spite of the misstatements in documents filed with the Court, more than two months passed after the meeting of creditors before Morgan made any effort to correct Scott's schedules, statements, and other papers filed in connection with the case.

131. On June 7, 2016, Morgan filed an amended Rule 2016 disclosure. The Rule 2016 disclosure states that "Sperro, LLC" paid $1,650.00, that Scott agreed to pay $1,650.00 instead of the $1,500.00 in compensation she actually agreed to pay, and stated that compensation received prepetition totaled $1,650.00 instead of the $1,750.00 that had actually been collected. The Rule 2016 disclosure does not disclose the $100 that LSC debited from her account. The amended 2016 disclosure contains statements that Morgan knew or should have known were misrepresentations.

132. Also on June 7, 2016, Morgan filed an amended SOFA purporting to bear Scott's electronic endorsement. The amended SOFA #16 indicates that "Sperro, LLC" paid "UpRight Law LLC" an attorney fee of $1,650.00 and the filing fee of $335.00. The amended SOFA does not disclose any of the funds Scott testified LSC drafted from her account. Rather than disclose the actual dates of all payments, the amended SOFA says "Sperro, LLC" made a payment in "November, 2015."

133. The amended SOFA #18 misrepresents that Scott did not transfer any property in the 2 years before her petition date.

134. The amended SOFA #10 misrepresents that Credit Acceptance repossessed the Sunfire in November 2015.

135. Scott did not sign the declaration concerning the amended SOFA.

136. Non-attorneys engaged in unauthorized practice of law in Scott's case by, among other things, rendering legal advice to Scott including, but not limited to:that bankruptcy was exactly what she needed to do; to file chapter 7; to participate in the Program and its effect; offering and entering into a retention agreement with; and the effect of bankruptcy on specific debts and that debts could be omitted from the schedules.

Transactions With Other Victims Of The Program

137. The Lawsons are assisted persons.

138. Russell M. McGuire is an assisted person.

139. The Whites are assisted persons.

140. The Lawsons, the Whites, McGuire, Massie, and Chapman were residents of the Western District of Virginia at the time they communicated with agents of LSC.

141. Agents of LSC promoted the Program to the Lawsons, the Whites, McGuire, Massie, and Chapman, and they participated in the Program.

142. Non-attorneys located in Chicago engaged in the authorized practice of law by, among other things, offering and entering into retention agreements with the Lawsons, the Whites, McGuire, Massie, and Chapman.

143. Ultimately, LSC closed the files for the Lawsons, the Whites, McGuire, Massie, and Chapman without filing cases for them.

144. After initially denying receipt of payment in the Lawsons case, LSC paid the Lawsons the fees collected as a result of the Program.

145. LSC misrepresented to McGuire the money collected as a result of his participation in the Program and, ultimately, LSC refunded $1,785.00 to him which was equal to the fees and charges it agreed to in return for representing him in a chapter 7 case.

146. LSC refunded to the Whites an amount equal to the fees and charges it agreed to collect a chapter 7 case. Thereafter, Delafield represented them in a case despite the conflict of interest he had with them as a result of being the attorney assigned to their case when they hired "Upright".

Summary Of Certain Bases For Relief Requested By The United States Trustee

147. Delafield has filed more than 100 cases in the WDVA as a "partner" of Upright and Morgan has filed at least 9 cases in the WDVA as a "partner" of Upright.

148. The terms of the written engagement agreement provided by agents of LSC to debtors were standardized.

149. The terms set forth in the Rule 2016 disclosures filed by Delafield as a "partner" of Upright were standardized.

150. The terms set forth in the Rule 2016 disclosures filed by Morgan as a "partner" of Upright were standardized.

150. Delafield intentionally filed Rule 2016 disclosures with the Court that systematically misrepresented the terms of the fee agreements entered into by the debtors and Upright.

151. Morgan intentionally filed Rule 2016 disclosures with the Court that systematically misrepresented the terms of the fee agreements entered into by the debtors and Upright.

152. Delafield intentionally and systematically advised debtors to sign declarations on Statements of Financial Affairs that misrepresented information concerning payments made for bankruptcy assistance.

153. Morgan intentionally and systematically advised debtors to sign declarations on Statements of Financial Affairs that misrepresented information concerning payments made for bankruptcy assistance.

154. The engagement agreements intentionally given to debtors by LSC on behalf of Upright and Morgan or Delafield in the WDVA systematically misrepresented to the debtors that the fees were earned upon receipt.

155. LSC intentionally and systematically misrepresented to debtors the services it was authorized to render to them. Specifically, LSC has misrepresented itself as a national law firm capable of practicing in Virginia not less than X^3 times to residents of the Western District of Virginia including to the Williamses and Scott.

156. LSC intentionally and systematically misrepresented the Program to debtors as a legitimate service.

157. LSC agents were required to enter into "verbal retention" agreements with debtors in the WDVA in which they represented to debtors that "UpRight" represented them and encouraged debtors to represent the same to creditors while at the same time purportedly advising the debtors that they were not represented until the "partner" attorney accepted the case. One of the statements was a systematic misrepresentation to debtors. Also, LSC misrepresented to debtors, including the Williamses and Scott, that they would receive an electronic copy of a retainer agreement that they were "obligated to return to UpRight Law".

[3] The chart containing the figure is currently under seal and, therefore, reference is made to page 5 of US Trustee Exhibit 1, which page either has or will be filed with the Court on a CD.

158. Delafield and Chern testified that under the "verbal retention" agreement the Upright Defendants can decline to represent a debtor. Therefore, an intentional misrepresentation was made to the Williamses when LSC took a post-dated payment from the Williamses, entered into a "verbal" retainer with them, and caused an email to be sent dated August 27, 2015, stating "**Thank You** for retaining Upright Law!".

159. In the Williamses case in the Rule 2016 Disclosure and Statement of Financial Affairs, LSC, Upright, and Delafield intentionally represented the payor of the Williamses' fees to be Sperro when they knew or should have known that F&A paid the fees.

160. In the Scott case, in the Rule 2016 Disclosure and Statement of Financial Affairs LSC, Upright, and Morgan intentionally initially represented the payor of the Williamses' fees to be Scott and then subsequently represented it to be Sperro when they knew or should have known that F&A paid the fees.

161. Delafield intentionally misrepresented to the chapter 7 trustee that he did not know why Sperro had paid the Williamses' legal fees.

162. LSC has systematically misrepresented Scanlan's role with Upright in that he was held out as the CEO of the company while Scanlan denies being involved with the company.

163. LSC systematically misrepresented to debtors that the engagement agreements were signed by "partner" attorneys by providing the debtors with written engagement agreements, including some bearing the electronic endorsement of Morgan and Delafield.

164. LSC's website holds Morgan and Delafield out as partners while Morgan and Delafield, including in this litigation, refer to themselves as limited partners. Neither LSC nor Upright is partnership or, more specifically, a limited partnership.

165. The Upright engagement agreements for clients represented by Delafield systematically misrepresented Delafield's hourly rate as $395 per hour.

166. Both Morgan and Delafield made intentional misrepresentations to the Court by intentionally filing documents that were different than the documents actually signed by their clients.

167. Morgan made an intentional misrepresentation to the Court by intentionally filing an amended SOFA bearing Scott's electronic endorsement without her knowledge and actual endorsement.

168. LSC systematically misrepresented it had local offices nationwide.

169. Delafield, via staff, in contravention of the Court's prior order, intentionally misrepresented to the Williamses that he did not have to witness them sign documents filed with the Court.

170. The standardized engagement agreement used in the WDVA contained significant inconsistencies and failed to clearly explain to debtors the services that would be provided and the fees and charges for such services. For example, the agreement stated that amendments to schedules were both included in the base fee and excluded from the base fee. The agreement also failed, for example, to apprise debtors of whether representation with regards to reaffirmation agreements was included.

171. LSC, Upright, and Delafield failed to provide the Williamses with a fully executed engagement agreement within 5 business days of August 27, 2015.

172. LSC, Upright, and Morgan failed to provide Scott with a fully executed engagement agreement within 5 business days of October 15, 2015.

173. Additionally, the draft petition produced in discovery and signed by the Williamses show that it is not identical to the version filed with the Court. Correspondence of December 22, 2015, between Rebecca Keffer, Delafield's assistant, and the Williamses also indicates that Delafield "found another mistake" on the Williamses' petition and that "we can correct the mistake and file the petition" without Delafield personally witnessing the Williamses sign such document;[4] Delafield, however, is subject to the Delafield Order that requires him to, among other things, "witness" clients sign "documents filed with the court". The correspondence and Delafield's itemized log of services show that he did not witness the Williamses sign the petition, schedules, and statements filed with the Court.

174. The Delafield Order also requires Delafield to charge reasonable fees, yet the engagement agreement provided to the Williamses purports to set his hourly rate at $395.00. The itemized log Delafield testified he created, US Trustee Ex. 3-23, sets forth his normal and actual hourly rate.

175 Delafield failed to keep contemporaneous time records in the Williamses' case in contravention of the Delafield Order.

176. Morgan filed documents in the Scott case containing errors or information that he knew or should have known were inaccurate.

177. Delafield filed documents in the Williams case containing errors or information that he knew or should have known were inaccurate.

178. Morgan filed documents purporting to bear Scott's signatures on declarations under penalty of perjury when the documents filed did not match the documents signed by Scott.

[4] The draft schedules and eventual amended petition indicate that the error was in the spelling of Andrian Williams' name and that Delafield knew or should have known that the petition was filed with her name spelled wrong.

179. After the commencement of the cases, LSC, Upright Law LLC, Delafield, and Morgan all had an obligation to ensure the filing of accurate statements regarding their compensation in connection with the Williamses and Scott's bankruptcy cases under § 329(a) and Rule 2016(b). Despite this, they failed to disclose completely and accurately the compensation paid in this case, in particular both the ultimate source of the compensation, to whom the compensation was paid and the sharing of compensation between the various entities involved.

180. During this litigation and until April 2017, Delafield and Morgan failed to communicate with their clients as required by the Virginia Rules of Professional Conduct.

181. Morgan and Delafield knew or should have known that LSC was improperly handling funds from debtors and they did not to perform trust account reconciliations for Upright.

182. In discovery, the self-styled Upright Defendants produced itemized logs to the United States Trustee for the Debtors' cases that contained false information. The Upright Defendants also produced, for example, Debt Pay Pro records for the Williamses and Scott cases that evidenced payments to the Williamses and Scott which they disputed having received.

183. Delafield failed to diligently represent the Williamses. As a result, their discharge was not entered for nearly a year after it should have been entered. Delafield also did not diligently assist the Williamses to amend their schedules to disclose claims arising from advice to participate in the Program.

184. Morgan did not diligently represent Scott as evidenced by his wholesale failure to meet with her to review her schedules and by failing to counsel her or assist her regarding necessary amendments to her schedules and statements filed with the Court, which included

failing to assist Scott to amend her schedules to disclose claims arising from advice to participate in the Program

185. James McMinn who was employed by JCM PLLC[5] appeared at Scott's meeting of creditors. He was not affiliated with Upright. However, he was given improper access to her file.

186. LSC, Upright Law, LLC, Morgan, and Delafield all accepted individuals as clients despite having no effective way to check for conflicts.

187. The structure of LSC and Upright simultaneously prevents Delafield and Morgan from meeting their ethical obligations and requires them to condone and assist in the unauthorized practice of law. By design, LSC facilitates the unauthorized practice of law and Upright, Delafield, and Morgan assist in efforts to legitimize the widespread unauthorized practice of law being committed on a consistent and routine basis in Virginia via electronic communications.

188. Delafield, Upright, and LSC misrepresented to the Court in this litigation that the Williamses desired to assert the attorney-client privilege.

189. At the May 9, 2017, hearing on the United States Trustee's motion to compel Scott to produce documents in response to the subpoena issued to her, the Court asked Morgan when he found out about the subpoena and Morgan did not act with candor and did not apprise the Court that Scott provided the subpoena to him on April 11, 2017.

190. LSC mishandled client funds by intentionally placing fees directly into an operating account regardless of whether they had been earned.

[5] Morgan testified that he did not obtain a certificate of registration from the Virginia State Bar for Morgan PLLC until the fall of 2016. Up to that time, Morgan PLLC improperly practiced law as a firm.

191. LSC, Upright, Delafield, and Morgan have systematically misrepresented to the Court the sharing of fees.

192. Delafield represented the Whites despite the conflict of interest resulting from LSC advising them to and as a result, their participation in the Program.

193. Neither Morgan nor Delafield are true partners in LSC.

194. LSC and Upright are separate entities, and the fees shared between the entities and, ultimately, Morgan were not disclosed as required.

195. LSC and Upright are separate entities, and the fees shared between the entities and, ultimately, Delafield were not disclosed as required.

196. LSC, Upright, Morgan, and Delafield are not all in the same firm for purposes of Rule 2016.

197. The "Partnership Agreements" between Morgan and Delafield and LSC and Upright are designed to conceal the sharing of fees and evade the operation of Rule 2016.

WHEREFORE, the United States Trustee, submits the forgoing proposed findings of fact.[6]

Date: September 21, 2017

Respectfully submitted,

UNITED STATES TRUSTEE

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BY: */s/ W. Joel Charboneau*

Trial Attorney

[6] The proposed findings of fact are not an exhaustive listing of facts that the United States Trustee expects the evidence to prove and nothing herein is meant to restrict the evidence that may be adduced at trial or the findings of additional facts that may be made by the Court.

CERTIFICATE OF SERVICE

I hereby certify that on September 21, 2017, I electronically filed the foregoing with the United States Bankruptcy Court for the Western District of Virginia which should have caused electronic notifications of filing to be served on all registers users of the CM/ECF System that have appeared in this case.

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