

COMPLAINT

Plaintiff, Ms. Mary Woodie, by counsel, files this Complaint against the Defendants and requests that the Court enter judgment against Defendants and in favor of Plaintiff on the grounds and in the amount set forth in this Complaint.

NATURE OF THE ACTION

1. The Plaintiff, Ms. Mary Woodie, is an 84-year-old widow whose only income is her Social Security retirement income. The Defendants were all part of a common fraudulent scheme to deceive Ms. Woodie and thousands of other similarly vulnerable people into believing that they were hiring lawyers to represent their interests in negotiations with creditors and potentially in bankruptcy. In reality, those lawyers did not provide legal services to Ms. Woodie or to anyone else. Instead, they deliberately acted against Ms. Woodie's interests — and against the interests of their other putative "clients" — to enrich themselves and a company based in Costa Mesa, California, called Morgan Drexen.

2. The Defendants misrepresented Morgan Drexen to Ms. Woodie and their other victims as the Defendants' agent and a provider of "back-office support." Defendants claimed that Morgan Drexen's administrative support enabled them to provide legal services in a more cost-effective and efficient manner. In reality, the Defendants worked for Morgan Drexen. The Defendants' charade of having its victims believe they were hiring lawyers was originally designed to enable Morgan Drexen to evade state laws regulating the for-profit debt relief industry, which typically prohibited providers from charging up-front fees and other types of abusive fees. By allowing Morgan Drexen to appear as the Defendants' administrative agent, the Defendants

enabled Morgan Drexen to collect fees otherwise prohibited by applicable state law. For their part in this deception, the Defendants were compensated by Morgan Drexen.

3. The Defendants' scheme operated through partnerships based in California, Kansas, and Virginia. Defendants Lawrence Williamson and Vincent Howard and the California and Kansas law partnerships through which they operated (collectively, the "Engagement Attorneys") recruited a national network of attorneys, including Defendant Bowman. The Engagement Attorneys contracted with attorneys ("Local Attorneys") in jurisdictions, including Virginia, where they were not licensed to practice law. The Local Attorneys, including Defendant Bowman, were paid by Morgan Drexen to pretend to represent "clients" solicited through telemarketing by Morgan Drexen in the jurisdictions in which the Local Attorneys were licensed (collectively, the Local Attorneys and the Engagement Attorneys are referred to herein as the "Network Attorneys"). As set forth in detail in this Complaint, the courts and regulatory agencies that have had occasion to scrutinize the Defendants' enterprise have with near unanimity found that the Network Attorneys performed no meaningful work on behalf of their putative "clients," such as Ms. Woodie.

4. The Defendants' abusive practices seized the attention of federal regulators in the wake of the 2008 financial crisis. In 2010, in response to a proliferation of abusive and deceptive practices in the debt relief sector, the Federal Trade Commission ("FTC") amended the Telemarketing Sales Rule ("TSR") to prohibit debt relief companies that used telemarketing from charging up-front fees for debt relief "services." Unlike some state statutes, the TSR does not contain an exemption for attorneys engaged in the practice of law. Consequently, the Defendants and Morgan

Drexen were forced to concoct a new scheme if they wanted to continue to collect up-front fees from their victims.

5. To circumvent the TSR, the Defendants changed their scheme to require the consumer to sign two contracts: one contract for debt relief services and another contract for bankruptcy services. The contract for debt relief services — which was subject to the TSR — did not charge the consumer up-front fees. However, the contract for bankruptcy services did. This so-called “Dual Contract Model” ostensibly allowed the Defendants to collect large up-front attorneys’ fees for representing clients in bankruptcy proceedings. However, the Defendants did not actually provide bankruptcy services. Defendants conspired to deceive consumers, like Ms. Woodie, into believing they were receiving legal services in order to continue charging the illegal up-front fees, which they shared with Morgan Drexen.

6. Before falling victim to the Defendants’ scheme, Ms. Woodie’s credit reports show that she was current on all of her payments to her creditors. Even if she had subsequently encountered difficulties paying her creditors on time, her Social Security income would have been exempt from collection. Despite her modest yet stable financial position, Defendants deceived Ms. Woodie into paying for bankruptcy services that she would never need and that Defendants never had any intention of providing. At the same time, the Defendants caused Ms. Woodie to engage the same Network Attorneys to negotiate her debts with her creditors. For that “service,” the Network Attorneys charged and collected from Ms. Woodie substantial fees prohibited under federal and Virginia law, which they remitted to Morgan Drexen.

7. The effect of the scheme was to divert approximately twenty percent of Ms. Woodie's Social Security income into her account with Morgan Drexen.

8. Between 2011 and 2014, Ms. Woodie paid Defendants \$8,525.00. Only \$2,504.00 was ever paid to Ms. Woodie's creditors. The Defendants charged various illegal fees to Ms. Woodie's account, ultimately pocketing for themselves or remitting to Morgan Drexen the remaining \$6,119.00, which represents almost 72% of the total amount Defendants withdrew from Ms. Woodie's bank account. Defendant Bowman repeatedly called Ms. Woodie to persuade her to try to increase her monthly payments to Defendants, even though she sometimes did not have enough money left over at the end of the month to afford her heart medication.

9. Morgan Drexen is now bankrupt. Its estate lacks the financial means to pay the administrative costs of the bankruptcy, let alone to compensate Ms. Woodie or any of the more than 60,000 people that the Consumer Financial Protection Bureau ("CFPB") estimates were victimized by Defendants' unlawful scam through the collection of illegal fees totaling \$90.7 million. Ms. Woodie comes to this Court to seek redress directly against the individuals who concocted and implemented this fraudulent scheme to bleed money from the most vulnerable members of our society.

PARTIES

10. Plaintiff Mary Woodie is an 84-year-old widow who rents a small apartment in Charlottesville, Virginia. Her sole source of income is a modest Social Security retirement payment. She also receives food stamps.

11. Defendant Vincent Howard is a lawyer licensed to practice law in California. He is a partner in the California law firm of Howard Law, P.C. He is also a partner in Williamson & Howard, LLP.

12. Defendant Lawrence W. Williamson Jr. is a lawyer licensed to practice in the State of Kansas. He was a partner in the Williamson Law Firm, LLC. He is also a partner in Williamson & Howard, LLP.

13. Defendant James E. Bowman is a lawyer licensed to practice in the Commonwealth of Virginia. James E. Bowman is a partner in the Law Office of James E. Bowman, PLLC. Mr. Bowman was the Local Attorney who pretended to represent Ms. Woodie.

14. Howard Law, P.C. is a California professional corporation. It shared an address with Morgan Drexen at 675 Anton Blvd., First Floor, Costa Mesa, CA 92626. After Morgan Drexen went into bankruptcy, Howard Law, P.C. changed its address to 2099 S. State College Blvd., Suite 600, Anaheim, CA 92806. Its registered agent is Mr. Jeffrey Katz, who was the General Counsel for Morgan Drexen. His address is 1100 Town and Country Road, Suite 1250, Orange, CA 92868.

15. Williamson & Howard, LLP is a California law partnership that is also registered in Kansas as a “foreign limited liability partnership.” Its registered agent in Kansas is Lawrence Williamson with an address at 816 Ann Avenue, Kansas City, KS 66101. The Kansas Secretary of State shows the current mailing address for Williamson & Howard, LLP as “Jeffrey Katz - 675 Anton Blvd., Costa Mesa, CA 92626.” Williamson & Howard, LLP’s website lists an address at 7545 Irvine Center Drive, Suite #200, Irvine, CA 92618.

16. The Law Office of James E. Bowman, PLLC is a Virginia Limited Liability Company. Its principal office is located at 100 Arbor Oak Drive, Suite 102 in Ashland, VA 23005. Its registered agent is Mr. James E. Bowman.

17. FerrisBowman, PLLC is a Virginia Limited Liability Company. Its principal office is located at 530 East Main Street, Suite 710 in Richmond, VA 23219.

JURISDICTION AND VENUE

18. This Court has original jurisdiction over this action under 28 U.S.C. § 1331 as this action arises under federal law, including the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 et seq.

19. This Court has supplemental jurisdiction over other claims in this action pursuant to 28 U.S.C. § 1367.

20. This Court has personal jurisdiction over the Defendants because they have conducted and continue to conduct business in the Commonwealth of Virginia and in the Western District of Virginia. The Defendants have purposefully directed their business activities toward Virginia and this District. Defendant Bowman is a licensed Virginia attorney and resident of the Commonwealth of Virginia.

21. Venue in this Court is proper under 28 U.S.C. § 1391(b) because a substantial part of the events or omissions giving rise to the Plaintiff's claims occurred in Charlottesville, Virginia, where she resides.

STATEMENT OF FACTS

22. The Defendants participated in a national network of attorneys who together conspired to defraud Plaintiff Mary Woodie (and thousands of other consumers like her) by pretending to be Ms. Woodie's attorneys. The Defendants' deception enabled them to circumvent federal and state laws regulating the debt relief industry and charge Ms. Woodie illegal fees. Ms. Woodie did not need to seek the protections of the bankruptcy laws because her income was exempt from collection. Defendants never advised her that her income was exempt from collection because they

were not truly acting as her lawyers. Rather, they acted in consort to induce Ms. Woodie (and many others) to pay up-front fees for bankruptcy services that they did not provide and that she would never need.

1. The Defendants' Criminal Enterprise

23. Morgan Drexen is a company incorporated in Nevada with its principal place of business in California. Morgan Drexen was founded in 2007. Since its founding, Morgan Drexen has used at least two different schemes to collect extraordinary fees from vulnerable consumers across the country who are in debt.

i. The "Attorney Model"

24. Between 2007 and 2010, Morgan Drexen employed the "Attorney Model" to take advantage of its customers. The "Attorney Model" worked as follows. Engagement Attorneys, such as Defendant Howard, would enlist Local Attorneys licensed in jurisdictions throughout the country to be "of counsel" to their law firms. The Local Attorneys would pretend to represent consumers in negotiations with their creditors. In truth, none of the lawyers performed any work on behalf of the consumers. Morgan Drexen did everything, although it tried to conceal its role as limited to providing "back-office support." One Morgan Drexen promotional video illustrates the essence of the ruse. An actor playing a lawyer explains that "the administrative support at Morgan Drexen makes it easier for our law firm to put an end to your financial troubles." He is followed by another actress who explains that "At Morgan Drexen, we're not the attorneys who do settlement services, we make the attorneys do settlement services better."¹ But as the Local Attorney responsible for West Virginia explained under oath in

1. HowardNassiriLaw, *Meet Morgan Drexen*, YOUTUBE (Aug. 12, 2009), <https://www.youtube.com/watch?v=diTo7mUUflA> (last visited Oct. 29, 2015).

a deposition, the Local Attorneys merely acted as “rubber stamps” while Morgan Drexen conducted all negotiations and correspondence with the consumers’ creditors. (*See infra*, ¶ 39.)

25. This scheme took advantage of provisions found in many state laws that exempted attorneys practicing law from the regulations imposed on debt settlement companies, credit counselors, and credit repair organizations. This allowed Morgan Drexen, through its association with Network Attorneys, to collect large up-front fees for their alleged debt settlement services. Such fees would have otherwise been illegal under many state laws, including under the laws of the Commonwealth of Virginia, either because they were being collected prior to provision of services or because of the amounts of the fees.

26. Defendant Bowman was the Local Attorney who was responsible for deceiving Morgan Drexen’s customers throughout the Commonwealth of Virginia. Defendant Bowman was “of counsel” to the law firms Defendants Howard Law, P.C. and Williamson & Howard, LLP. Defendant Bowman was also “of counsel” to the law firm of Howard & Nassiri and the Williamson Law Firm, LLC, which no longer exist. As the Local Attorney responsible for the Commonwealth of Virginia, Defendant Bowman pretended to represent hundreds of consumers.

ii. The “Dual Contract” Model

27. In 2010, the FTC responded to the proliferation of abusive and deceptive practices in the debt relief sector by amending the TSR to, among other things, prohibit debt relief companies engaged in telemarketing from requesting or receiving advance fees. The TSR made the “Attorney Model” unworkable because it contains no exemption for attorneys.

28. In response, Morgan Drexen and the Defendants changed their business model so that they could continue collecting large up-front fees. Under the new model, consumers who enrolled in the debt settlement program were required to simultaneously execute a contract for the provision of bankruptcy services. Using the so-called “Dual Contract Model,” consumers were presented with separate contracts for (1) debt negotiation services and (2) bankruptcy services. The contract for the provision of debt negotiation services (hereinafter “Debt Negotiation Contract”) did not require the consumer to pay up-front fees. Thus, it did not run afoul of the TSR. However, the contract for bankruptcy services (hereinafter “Bankruptcy Contract”) did require the customer to pay an assortment of up-front fees.

29. Neither the TSR nor any other law prevented attorneys from collecting fees in advance for bankruptcy services. As with the “Attorney Model,” the new “Dual Contract” model relied on the Network Attorneys to maintain the deception that they were providing consumers with legal services. In reality, the Network Attorneys performed almost no legal services for their putative clients. Morgan Drexen performed all of the work while the Network Attorneys continued to act as “rubber stamps.”

30. In mail and phone communications with consumers, Morgan Drexen falsely assured customers that their lawyers, including the Defendants, were analyzing their cases and conducting negotiations with creditors, and that Morgan Drexen merely provided “back-office support” to the lawyers.

31. In reality, Morgan Drexen controlled and acted upon consumer accounts. Morgan Drexen’s role in the scheme included, but was not limited to:

- a. Advertising for debt services nationwide;
- b. Performing consumer intake via telephone calls;
- c. Sending ‘Authorization to Negotiate’ letters instructing creditors to negotiate with Morgan Drexen rather than the assigned attorney;
- d. Negotiating consumer debts with creditors;
- e. Determining which consumer debts to negotiate and when; and
- f. Determining which strategies to employ when negotiating with creditors.

32. Morgan Drexen used a commission-based compensation scheme with strict weekly quotas to incentivize call center representatives to enroll consumers in the bankruptcy program even though most consumers did not otherwise want or need bankruptcy services.

33. When a consumer called Morgan Drexen, the consumer often heard a recorded testimony emphasizing the benefits of avoiding bankruptcy. One testimonial recited, “I thought I was going to have to claim bankruptcy, but I really didn’t want to do that, so I decided to take a chance on the program I saw advertised . . . I’m debt free now.”

34. Morgan Drexen’s *Legal Intake Specialist Training Manual* provides a script for the representatives to use when talking to consumers. In response to questions about whether the services will affect the consumer’s credit, the script suggests the following response: “Yes, it may adversely affect it, but you will have a chance to reestablish your credit once you complete the program. In addition, the only way to get out of debt is to not acquire any more.” The *Training Manual* also states: “Once these debts are settled, your attorney will have your creditor issue a letter, showing the account

has been paid off! The best thing is even the credit bureaus get a copy of this too. It shows that you did the right thing and amended your relationship with the creditor.”

35. Upon information and belief, between October 2010 and August 2014, 95% of Morgan Drexen’s customers signed up for both its debt relief and bankruptcy programs.

36. Upon information and belief, approximately 93% of those customers enrolled in both services, including Ms. Woodie, were charged an up-front fee. They were enrolled in the bankruptcy program after speaking with Morgan Drexen call center representatives and without ever having spoken with a lawyer about whether they needed the protection of the bankruptcy laws.

37. Because the sole purpose of the Bankruptcy Contract is to disguise the illegal up-front fees Morgan Drexen charges for its debt settlement operation, Morgan Drexen and its attorneys provided no meaningful level of services under the Bankruptcy Contract. As described in greater detail below, in a lawsuit brought against Morgan Drexen by the Consumer Financial Protection Bureau (“CFPB”), the United States District Court for the Central District of California found that Morgan Drexen fabricated bankruptcy petitions to support its defense that it was providing administrative support to its customers’ bankruptcy lawyers. (*See infra*, ¶¶ 44-53.) In reality, neither the Defendants nor Morgan Drexen had any intention of providing bankruptcy-related services. Rather, the purpose of the Bankruptcy Contract was to enable Morgan Drexen and the Defendants to collect and share illegal up-front fees.

2. Regulators and Courts Across the Country Have Found that the Network Attorneys Provided No Meaningful Services to Consumers

i. West Virginia

38. In 2010, the State of West Virginia initiated an investigation of Morgan Drexen's and the Network Attorneys' business practices after it had received numerous complaints from consumers about the company. In 2011, following the completion of that investigation, the Attorney General filed a complaint in state court against Morgan Drexen and the Engagement Attorneys, including Defendants Howard and Williamson, alleging numerous violations of West Virginia's Consumer Credit and Protection Act. Among other things, the State alleged that Morgan Drexen and the Engagement Attorneys had misled consumers to believe that they and the Local Attorneys would perform legal services on their behalf.

39. In a deposition taken during the course of discovery, Ms. Rachelle McIntyre-Nicholson, who was the Local Attorney responsible for West Virginia, gave candid testimony about how the Local Attorneys, such as Defendant Bowman, deceived consumers by performing no work on their behalf. Excerpts from the deposition of Rachelle McIntyre-Nicholson are attached hereto as Exhibit A.

Q: Have you ever done any bankruptcy work?

A: I don't do any bankruptcy work.²

Q: Okay. And how about for the debt settlement part of your business? Do you do any advertising for that?

A: I don't do any debt settlement.³

Q: How did you first learn about Morgan Drexen?

A: My husband was on Craigslist, and they had advertised for needing local counsel. He told me about it. I e-mailed.⁴

2. McIntyre-Nicholson Dep. 22:11-13. (Ex. A, at A-008.)

3. McIntyre-Nicholson Dep. 23:12-15. (Ex. A, at A-009.)

4. McIntyre-Nicholson Dep. 49:10-14. (Ex. A, at A-010.)

Q: Are you involved with [the] settlement negotiation[s] [with the creditors]?

A: No.⁵

Q: But you don't help put that plan together?

A: No, sir.

Q: To get their debts resolved?

A: No sir.

Q: Okay. That's all done by Morgan Drexen?

A: Yes, it's done by that team that they have put together.⁶

Q: You don't call the clients and say, is this settlement good for you?

A: The client has already approved the settlement by the time it gets to me.

Q: Okay. So you generally don't talk to the client when you are approving settlements?

A: No.⁷

A: So technically I am a rubber stamp, but I don't see it that way because . . . it is not my job to say, well, I think a better settlement could have been negotiated because that's not what . . . I do.⁸

40. In 2014, almost three years after trial, the court issued a judgment in favor of the State and against Morgan Drexen, Defendants Howard and Williamson, and Ms. McIntyre-Nicholson (among others). The court concluded that the Network Attorneys were an integral part of the fraud on consumers:

[I]t is apparent that Morgan Drexen dictated and controlled attorneys' interactions with Morgan Drexen customers. Morgan Drexen hires attorneys and then requires attorneys to pay Morgan Drexen a portion of what customers pay the attorneys as evidenced by the "confidential contracts" and the attorney fee schedule. Morgan Drexen solicits and thereafter communicates with customers. Attorneys review paperwork and "propose" changes to said paperwork with little to no interaction with customers or creditors. *The bulk of Morgan Drexen's services are not*

5. McIntyre-Nicholson Dep. 69:12-14. (Ex. A, at A-013.)

6. McIntyre-Nicholson Dep. 75:12-20. (Ex. A, at A-015.)

7. McIntyre-Nicholson Dep. 98:14-21. (Ex. A, at A-018.)

8. McIntyre-Nicholson Dep. 81:23-82:11. (Ex. A, at A-016, A-017.)

*completed by lawyers or by the direction of lawyers. From this . . . it is evident that Morgan Drexen hides behind attorneys who perform or complete little to no work, exert little to no control over Morgan Drexen, and play little to no role in Morgan Drexen's debt settlement negotiations.*⁹ (Emphasis supplied.)

41. A copy of the contract between James Bowman and Morgan Drexen is attached hereto as Exhibit B. Section 2F of the contract describes the compensation Defendant Bowman received for pretending to be a lawyer for consumers, like Ms. Woodie, in the Commonwealth of Virginia and in the District of Columbia:

As compensation for BOWMAN's supervision and approval of client debt settlements, a minimum of \$500 shall be advanced to BOWMAN each month. This amount shall compensate BOWMAN for up to the first 300 clients in each of the following states – Virginia and the District of Columbia, from all fees received by [Morgan Drexen] from the BOWMAN client base.

(Ex. B, at B-006.)

42. The court ultimately ordered that Defendant Williamson pay \$1.22 million in damages for his role in the deceptive scheme.

ii. Wisconsin

43. In April 2013, an Administrative Law Judge in Wisconsin found that “substantial evidence supports the [Wisconsin Department of Financial Institutions’] charge that [Morgan Drexen] has engaged in deceptive and oppressive practices towards hundreds of Wisconsin residents, willfully refused to comply with the laws of [the] State, *and employed deception in an effort to evade those laws.*”¹⁰ Specifically, the Administrative Law Judge identified the attorneys with whom Morgan Drexen contracted as the centerpiece of the deception: “[G]iven her lack of control over Morgan Drexen and

9. *West Virginia v. Morgan Drexen, Inc.*, No. 1-C-829, slip op. at 41-42 (W. Va. Cir. Ct. July 15, 2014).

10. *Morgan Drexen, Inc.*, Decision and Order, Case No. 10-S-127, at 53 (Wis. Dep’t Fin. Inst. Apr. 25, 2013) (emphasis supplied).

the dearth of activity by [the Local Attorney] which could be reasonably characterized as applying legal principles and judgment, it does not appear that there is any attorney in Morgan Drexen's debt settlement program who is providing legal services in Wisconsin."¹¹ The Administrative Law Judge therefore concluded that "Morgan Drexen is not the lawyers' agent, that Morgan Drexen is the principal, and that *Morgan Drexen's attorney model is, both in execution and intention, a pretense designed to evade regulation*" under Wisconsin consumer protection laws.¹²

iii. Consumer Financial Protection Bureau Lawsuit

44. In 2013, the CFPB filed a lawsuit against Morgan Drexen (as well as its Chief Executive Officer, Mr. Walter Ledda) in the United States District Court for the Southern District of California, alleging that Morgan Drexen had charged illegal up-front fees and deceived consumers in violation of the federal TSR and the Dodd-Frank Wall Street Reform and Consumer Protection Act. The CFPB's complaint addressed specifically Morgan Drexen's so-called "Dual Contract Model," concluding that it is nothing short of a ruse designed to evade federal laws:

Under its new practice, Morgan Drexen presents the consumer with two contracts to enter into with a Network Attorney, one purportedly for debt relief services and one purportedly for bankruptcy-related services ("Dual Contract Model"). The Dual Contract Model is designed to disguise consumers' up-front payments for debt relief services provided by Morgan Drexen as payments for bankruptcy-related work purportedly performed by Network Attorneys.¹³

45. The CFPB's investigation, like the state investigations that preceded it, revealed that the attorneys with whom Morgan Drexen contracted provided

11. *Id.* at 41.

12. *Id.* at 35 (emphasis supplied).

13. Complaint at 4:20-25, *Consumer Fin. Prot. Bureau v. Morgan Drexen, Inc.*, No. 13-1267 (C.D. Cal. Aug. 20, 2013).

no meaningful legal services for their putative “clients,” and that those attorneys were, for all intents and purposes, Morgan Drexen’s agents (not the other way around). Among others, the CFPB reached the following conclusions related to the Network Attorneys:

- “In numerous instances, Network Attorneys perform little, if any, work with respect to debt relief.”¹⁴
- “When Morgan Drexen has negotiated a settlement offer from a creditor, it emails Local Attorneys through a web portal. Upon receipt of the email, an attorney must choose one of four options: “cancel,” “accept,” “accept with comments,” or “deny.” If Local Attorneys do not respond to the settlement proposal within 24 hours, the proposal is automatically deemed approved. Settlement offers are routinely approved.”¹⁵
- “[T]he Network Attorneys rarely perform any bankruptcy-related work for consumers.”¹⁶

46. In February 2015, the CFPB filed a motion for sanctions against Morgan Drexen after it came to light that the company (through Mr. Ledda and its General Counsel, Mr. Jeffrey Katz) had “manipulated, altered, and destroyed evidence” to support its defense by making it appear that the Network Attorneys had performed legal services. In granting the CFPB’s motion and imposing the extraordinary sanction of entering a default judgment against Morgan Drexen, the court found that Morgan Drexen had “willfully and in bad faith engaged in a coordinated and extensive effort to deceive the Court and opposing counsel” by falsifying bankruptcy petitions and attempting to pass them off as if they had been created by the Network Attorneys in the normal course of business.¹⁷

14. *Id.* at 10:19-20.

15. *Id.* at 11:1-5.

16. *Id.* at 13:9-10.

17. Order Granting Motion for Sanctions at 22:13-14, *Consumer Fin. Prot. Bureau v. Morgan Drexen, Inc.*, No. 13-1267 (C.D. Cal. Apr. 21, 2015).

47. The court subsequently permanently enjoined Morgan Drexen from collecting further payments from consumers.¹⁸

48. Morgan Drexen is currently in Chapter 7 bankruptcy proceedings. Even after Morgan Drexen's bankruptcy, Defendant Howard continued the deception of pretending to be Ms. Woodie's lawyer. On July 10, 2015, Defendant Howard sent Ms. Woodie a letter advising her that "your attorney will no longer use Morgan Drexen to service your accounts," adding that "[y]our lawyer is continuing to fight hard on your behalf in connection with your financial hardship and debts."

49. Upon information and belief, Defendant Howard sent similar letters to consumers throughout the country.

50. The Network Attorneys behind the now-defunct Morgan Drexen continue to take advantage of consumers and charge consumers fees.

51. Upon information and belief, the attorneys at Howard Law, P.C. have collected several hundred thousand dollars from consumers in fees since Morgan Drexen filed for bankruptcy.

52. In response to the Network Attorneys' continuation of their deceptive scheme, the United States District Court for the Central District of California issued an order clarifying that the court's permanent injunction extended to Defendants Howard and Williamson, notwithstanding the fact that they were not parties to the CFPB's litigation. In deciding to extend the terms of its injunction to Defendants

18. Order Granting Permanent Injunction, *Consumer Fin. Prot. Bureau v. Morgan Drexen, Inc.*, No. 13-1267 (C.D. Cal. June 18, 2015).

Howard and Williamson, the court found that Defendants Howard and Williamson “acted in consort” with Morgan Drexen.¹⁹

53. Despite the injunction, Defendants Howard and Williamson continued to collect illegal fees from affected consumers. Upon a motion for contempt sanctions by the CFPB, the district court held Defendants Howard, Williamson, Williamson & Howard, LLP, and Howard Law, P.C. in contempt. The court explained:

CFPB alleges that “the Attorneys have flagrantly thwarted this Court’s efforts to protect consumers from Morgan Drexen’s nationwide debt relief scheme.” (Attorneys’ Reply at 22.) CFPB claims that “the Attorneys have continued Morgan Drexen’s business enterprise – using the same employees and same customer files to collect the same unlawful fees from the same consumers pursuant to the same contracts.” (Id. at 14.) CFPB urges the Court to hold the Attorneys in contempt because “the [Attorneys] have taken over Morgan Drexen’s business operations wholesale,” (CFPB Reply at 18), and “eviscerated the vital consumer protections this Court built into its Orders.” (Id. at 2.) According to CFPB, “[t]he undisputed evidence is clear: for over two months, the Attorneys have ignored the Court’s Orders and have kept an unlawful debt relief scheme alive so they could continue to collect[] fees from the already-victimized Affected Consumers.” (Id. at 14.). The Court agrees with CFPB’s characterization of the evidence. The Court will not permit the Attorneys to circumvent the Court’s Orders by continuing essentially the same activities that were performed at Morgan Drexen and which the Court found victimized thousands of consumers.²⁰

3. Ms. Woodie was a victim of the Defendants’ criminal enterprise.

54. At all times relevant to this complaint, Ms. Woodie’s sole source of income was a modest Social Security retirement payment, ranging from approximately \$820 to \$982. She also receives food stamps, but they do not cover the whole cost of her food.

19. Order Clarifying Order Re: Permanent Injunction at 11, *Consumer Fin. Prot. Bureau v. Morgan Drexen, Inc.*, No. 13-1267, (C.D. Cal. July 6, 2015).

20. Order Holding Vincent Howard, Lawrence Williamson, Howard Law, P.C., The Williamson Law Firm, LLC, and Williamson & Howard, LLP In Contempt at 25:6-17, *Consumer Fin. Prot. Bureau v. Morgan Drexen, Inc.*, No. 13-1267 (C.D. Cal. Oct. 9, 2015). A Copy of the Contempt Order is attached as Exhibit D.

55. In 2010, Ms. Woodie's financial position worsened considerably. She had been living with and caring for her sister, who was battling a long-term illness. Ultimately, her sister passed away in January of 2010. Her sister's death forced her to move out of the home they had shared and where she had lived rent-free while taking care of her sister. After temporarily staying with a cousin, she rented a small apartment. The apartment added a significant new monthly expense to her already limited resources.

56. In November of 2010, Ms. Woodie saw a Morgan Drexen advertisement on TV offering debt consolidation services and promising consumers like Ms. Woodie that such services could help her eliminate her debt and avoid bankruptcy.

57. Around that time, Ms. Woodie carried a balance on six credit card accounts and, according to her creditors, she owed approximately \$13,745. Despite her meager resources, Ms. Woodie's credit reports reflect that she remained current on her monthly payments before engaging with Morgan Drexen.

58. She called the toll-free number advertised on TV and spoke with a Morgan Drexen representative who identified himself as Eric Mendoza.

59. Mr. Mendoza explained to Ms. Woodie that they could settle her debt in "no time at all." He told her to stop making payments to her creditors and to make payments to Morgan Drexen instead.

60. Ms. Woodie was placed on hold several times during the 30-to-40-minute call. While she was on hold, she heard testimonials from voices purporting to belong to Morgan Drexen customers emphasizing how wonderful Morgan Drexen's services were.

61. Mr. Mendoza asked Ms. Woodie for information about her income, resources, and assets, and he determined that her monthly payment to Morgan Drexen would be \$175.

62. He then told her she would receive some paperwork in the mail and that the services would start as soon as she signed and returned the paperwork.

63. Neither the call center representative, nor any of the Network Attorneys, ever told Ms. Woodie that her Social Security income was exempt from collection. Nor did they ask her whether she in fact owed the debts that were claimed by her creditors.

64. Shortly thereafter, Ms. Woodie received paperwork in the mail from Morgan Drexen. The solicitation letter and contracts she received are attached hereto as Exhibit C. The one-page solicitation letter, dated November 15, 2010, stated that Ms. Woodie had been “pre-qualified for engagement with FerrisBowman, PLLC.” (Ex. C, at C-001.) It claimed that FerrisBowman would be representing Ms. Woodie in the negotiation and resolution of her debt, and that it was willing to assist her in avoiding bankruptcy. The Solicitation Letter does not discuss representing Ms. Woodie in bankruptcy proceedings.

65. The Solicitation Letter was accompanied by 16 additional pages, including two separate contracts: the Debt Negotiation Contract and the Bankruptcy Contract. Under the Debt Negotiation Contract, Morgan Drexen was to receive “a contingent fee equal to eighteen percent (18%) of the verified original balance of the resolved account at the time of engagement.” (Ex. C, at C-003.) The Bankruptcy Contract had a ‘Fees, Costs, and Expenses’ provision, which included multiple subparts

and internal cross-references. Under that provision, Ms. Woodie would be charged a \$1,000 engagement fee, filing fees of \$450, a trust disbursement transaction fee of \$10, a \$15 fee for “any ACH payment not honored” by her bank, and a \$50 monthly fee for “paralegal and professional services.” (Ex. C, at C-007.)

66. Ms. Woodie had no need or desire to declare bankruptcy, never asked for bankruptcy services, and did not understand that the paperwork she was directed to sign involved enrollment in a bankruptcy program.

67. Ms. Woodie signed the Debt Negotiation Contract and the Bankruptcy Contract on November 17, 2010, and returned it to Morgan Drexen. At the same time, she filled out paperwork authorizing FerrisBowman, PLLC to withdraw \$167 from her bank account on a monthly basis via automatic electronic funds transfer.

During this time, Ms. Woodie had no contact with any attorney.

68. Upon information and belief, at some point between November 2010 and January 2011, Defendant Bowman left FerrisBowman, PLLC and started his solo practice, James E. Bowman, PLLC.

69. On January 5, 2011, Defendant Bowman’s new firm, James E. Bowman, PLLC, began withdrawing \$175 from Ms. Woodie’s bank account on a monthly basis and placing it in an account in her name held by Morgan Drexen and identified by File Number 1148158778.

70. That same day, James E. Bowman, PLLC immediately charged a \$1,000 “engagement fee” and a \$50 “monthly servicing fee” to Ms. Woodie’s account, #1148158778.

71. In October of 2011, Morgan Drexen settled Ms. Woodie's Target credit card with a balance of \$1,943.57 for a settlement amount of \$972. For that, Defendants charged her account a \$281.88 "settlement fee" and a \$10 "check handling fee" in addition to the \$50 servicing fee for that month.

72. Morgan Drexen representatives frequently asked Ms. Woodie if she could increase her monthly payments, but initially she resisted, explaining that she was already under a lot of financial stress. In June of 2012, Morgan Drexen representatives prevailed upon Ms. Woodie to increase her monthly payments from \$175 to \$185, telling her it would help her pay off her debts faster. Not long after she agreed to a higher amount, Morgan Drexen representatives resumed their entreaties to increase her monthly payments yet again.

73. In March of 2013, Morgan Drexen settled Ms. Woodie's JC Penney credit card with a balance of \$3,828.69 for a settlement amount of \$1,532.00. For that, Defendants charged a \$644.07 "settlement fee" and a \$10 "check handling fee" in addition to the \$50 servicing fee for that month.

74. After nearly four years in the program, neither Morgan Drexen nor the Defendants ever settled any of Ms. Woodie's remaining four accounts.

75. From January 2011 to November 2014, the Defendants continued to debit a \$50 monthly servicing fee from her Morgan Drexen account, occasionally charging additional "legal fee charges," "check handling fees," and various other fees to her account #1148158778.

76. At various points during that period, Ms. Woodie received monthly account statements and other communications from James E. Bowman, PLLC,

Williamson & Howard, LLP, and Republic Consumer Law Group LLP, all referencing the account #1148158778.

77. Ms. Woodie rarely communicated directly with any of her “attorneys.” Instead, Morgan Drexen gave her a toll-free number to call if she had any questions about the program. Ms. Woodie frequently called this number and asked to speak with Defendant Bowman, but the number led her to Kimberly Alba, a Morgan Drexen representative whom Ms. Woodie believed to be Mr. Bowman’s secretary. Ms. Alba claimed she would get in touch with Mr. Bowman to relay the news, but Mr. Bowman rarely returned the calls. On the rare occasion that he called her back, he would claim not to have received her messages and assured her he was working on settling her debts.

78. After she stopped making monthly payments, Ms. Woodie’s creditors and their debt collectors began harassing her about her delinquent accounts. Ms. Woodie told Ms. Alba and other Morgan Drexen representatives about the calls and letters she was receiving, but the calls and letters kept coming.

79. In the fall of 2011, Capital One Bank filed two Warrants in Debt in Albemarle General District Court, claiming Ms. Woodie owed \$914.65 and \$2,121.56 on two accounts in default.

80. When she received the notice that she had been sued, Ms. Woodie contacted Morgan Drexen to tell them she was being sued by her creditors, but neither Morgan Drexen nor the Defendants did anything to attempt to settle the debts and offered no response to her pleas for assistance. Ms. Woodie attended each court hearing without

the assistance of counsel, and judgment was entered for the full amounts her creditors claimed she owed.

81. On or about August 29, 2014, Ms. Woodie complained to Morgan Drexen that she did not appear to be making much progress paying off her debts. Defendant Bowman returned her call and encouraged her to increase her payments so that she would pay off her debts faster. When she told him that she could not afford food and medications at the current monthly payment, he told her the only thing left for her to do was to declare bankruptcy and that he could file her bankruptcy petition as soon as she paid additional fees. Ms. Woodie continued to insist that she did not want to file for bankruptcy, but she agreed to give Defendant Bowman some of the information he requested to begin the paperwork.

82. A letter dated September 2, 2014, purporting to be from Defendant Bowman, reiterated that Defendants would file a bankruptcy petition on Ms. Woodie's behalf once they received the "necessary paperwork and/or bankruptcy fees" and advised her that settlement activity would be "suspended" for 90 days. Once the 90 days expired, her file would be "returned to the settlement negotiation process." Meanwhile, Defendants continued to charge Ms. Woodie's account the \$50 monthly servicing fee. Ms. Woodie received a similar letter dated October 29, 2014.

83. On or about November 17, 2014, frustrated and fearing that she had been scammed, Ms. Woodie asked her bank to stop the automatic withdrawals by James E. Bowman, PLLC.

84. By letter dated December 10, 2014, Ms. Alba contacted Ms. Woodie about the payment that was rejected by her bank. The letter exhorts Ms. Woodie

to “honor the terms of [her] agreement with Williamson & Howard, LLP within the time frame that was originally established.” A second letter purporting to be from Defendant Bowman complained about Ms. Woodie’s failure to return Morgan Drexen’s phone calls. It further stated, “It is imperative that you stay in contact with us so that we can update your account as needed and also know that you are still as committed as we are.”

85. Between 2011 and 2014, Ms. Woodie paid Defendants \$8,525.00. Of all the money she paid, \$6,119 was collected as fees from which the Defendants profited, including over \$1,000 for unnecessary bankruptcy-related services that the Defendants never provided. Only \$2,504 was ever paid to Ms. Woodie’s six creditors, two of which had sued her.

86. Throughout that time period, Ms. Woodie relied on the Defendants’ false assurances that they were her lawyers, and she was misled into believing they were working earnestly on her behalf to settle her debts. She also believed that her credit rating would improve once she completed the program.

87. Instead of protecting her legal interests, the Defendants actively conspired to prolong Ms. Woodie’s participation in the program so that they could continue collecting fees. For example, the Defendants continued to encourage Ms. Woodie to pay her debts long after they became time-barred, and she had no legal obligation to continue paying her creditors.

88. Long after Ms. Woodie terminated her relationship with Morgan Drexen and the Network Attorneys, the Defendants continued to send her misleading information designed to reassure her and other consumers that attorneys were acting in their interests. Indeed, by letter dated July 10, 2015, on Howard Law, P.C. stationery,

Vincent Howard wrote to Ms. Woodie to assure her that Morgan Drexen's bankruptcy should have no effect on her payments to the Network Attorneys, who, according to the letter, were all in good standing with their state bars.

89. Ms. Woodie has a serious heart condition and has suffered two heart attacks. Her doctors have advised her that prolonged stress is harmful to her condition. During the nearly four years she paid Morgan Drexen and the Network Attorneys, Ms. Woodie lived under austere conditions in which she could not always afford her medications or adequate nutrition, worried about her unresolved debts, was traumatized by being sued twice, and experienced deep distress about her financial condition overall.

90. Consequently, Ms. Woodie experienced extreme emotional distress, including but not limited to anxiety, sleep and appetite loss, and chest pain.

FIRST CAUSE OF ACTION

(Violation of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. § 1961 et seq., against all Defendants)

91. Plaintiff incorporates the allegations in Paragraphs 1-90 above with the same force and effect as if herein set forth.

92. Section 1962(c) of the Racketeer Influenced and Corrupt Organizations Act ("RICO") provides that "[i]t shall be unlawful for any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt."

93. 18 U.S.C. § 1962(d) provides that “[i]t shall be unlawful for any person to conspire to violate [18 U.S.C. § 1962(c)].”

94. Each of the Defendants conducted or participated in the conduct of Morgan Drexen’s (the “Enterprise’s”) affairs through a pattern of racketeering activity.

95. Each of the Defendants conspired together to conduct or participate in the conduct of Morgan Drexen’s affairs through a pattern of racketeering activity.

The Defendants’ Participation in the Conduct of the Enterprise’s Affairs

96. Defendant Howard was one of Morgan Drexen’s Engagement Attorneys. In that capacity, he was responsible for managing the Local Attorneys, including Defendant Bowman, who were essential to the Defendants’ unlawful scheme to deceive consumers and to evade federal and state laws. (*See supra*, ¶¶ 23-37.)

97. Defendant Howard was a partner in several law firms, including Defendant Howard Law, P.C., which operated within Morgan Drexen’s premises until Morgan Drexen’s bankruptcy.

98. Defendant Howard advertised Defendant Bowman as having an “of-counsel” relationship with the various law firms in which he was a partner, including Defendant Howard Law, P.C.

99. Defendant Williamson was one of Morgan Drexen’s Engagement Attorneys. In that capacity, he was responsible for managing the Local Attorneys, including Defendant Bowman, who were essential to the Defendants’ unlawful scheme to deceive consumers and evade federal and state laws. (*See supra*, ¶¶ 23-37.)

100. At various points in time, Defendant Williamson advertised Defendant Bowman as having an “of-counsel” relationship with law firms in which he was a partner, including Defendant Williamson & Howard, LLP.

101. The Network Attorneys routinely held themselves out to the public as directing Morgan Drexen’s affairs and misrepresented to the public that Morgan Drexen was the agent of the Network Attorneys. Indeed, most recently, in his letter of July 10, 2015, Defendant Howard continued the ruse when he wrote “to advise [Ms. Woodie] that your attorney is no longer using the support services provided by Morgan Drexen.”

102. The Network Attorneys’ misrepresentation to consumers that they would act as the consumers’ lawyers was an indispensable part of the charade that allowed Morgan Drexen to continue to operate. Without the Network Attorneys’ participation, Morgan Drexen’s business model would not work.

103. In addition to his role in misrepresenting to Morgan Drexen’s customers in Virginia that he would act as their lawyer, Defendant Bowman further participated in the conduct of the Enterprise by calling Morgan Drexen’s customers, like Ms. Woodie, to pressure her to increase her monthly payment.

The Defendants Conducted the Enterprise’s Affairs through a Pattern of Racketeering Activity

104. 18 U.S.C. § 1961 defines racketeering activity as “any act which is indictable under any of the following provisions of title 18, United States Code: . . . section 1341 (relating to mail fraud) [and] section 1343 (relating to wire fraud).”

105. As described below, Defendants engaged in multiple acts of both mail fraud and wire fraud.

106. Each of the Defendants' multiple acts of mail and wire fraud were related because each had the same purpose: to perpetuate the deception that the Network Attorneys would act as lawyers for Morgan Drexen's customers in order to allow Morgan Drexen to evade federal and state laws that prohibited its practices.

107. 18 U.S.C. § 1341 provides, in pertinent part:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, . . . for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, . . . shall be fined under this title or imprisoned not more than 20 years, or both.

108. 18 U.S.C. § 1343 provides, in pertinent part:

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both.

109. The first instance of mail fraud occurred when Morgan Drexen sent Ms. Woodie a letter dated November 15, 2010, indicating that she had "been pre-qualified for engagement with FerrisBowman, PLLC" and that FerrisBowman, PLLC would be "working to protect [her] legal rights." (Ex. C, at C-001.) This statement was false. Rather than represent her interests or work to protect her rights, FerrisBowman, PLLC would act contrary to Ms. Woodie's interest in order for Morgan Drexen to charge her illegal fees. The Defendants knew this statement to be false when it was made by them or their agents for the purpose of inducing customers to sign up for their services. Morgan Drexen's and the Defendants' business model depended on consumers believing

they were hiring lawyers when in reality those lawyers served their own and Morgan Drexen's interests.

110. Morgan Drexen sent similar letters misrepresenting its services to thousands of consumers across the country and hundreds in the Commonwealth of Virginia.

111. Defendant Bowman committed a second act of mail fraud when he allowed Morgan Drexen to send Ms. Woodie a contract entitled "Attorney Client Fee Agreement" (the "Bankruptcy Contract") in his name. (Ex. C, at C-002.) The Bankruptcy Contract misrepresents Mr. Bowman as Ms. Woodie's lawyer. In truth, Defendant Bowman never intended to act as Ms. Woodie's lawyer. Rather, Defendant Bowman worked for Morgan Drexen and acted at all times in his own interest and in the interest of Morgan Drexen. Defendant Bowman received compensation from Morgan Drexen for each consumer he pretended to represent and from whom he collected fees for Morgan Drexen. (Ex. B, at B-006.) Defendant Bowman knowingly deceived Ms. Woodie into believing that she was hiring a lawyer and intentionally failed to tell her about the true nature of his relationship with Morgan Drexen.

112. Defendants Howard and Bowman, personally and through their law firms, caused Morgan Drexen to transmit the Debt Negotiation and Bankruptcy Contracts between Defendant Bowman and Plaintiff by mail from California to Virginia on or about November 15, 2010, in furtherance of the scheme to defraud Plaintiff, in violation of 18 U.S.C. § 1341. Through the documents sent to her by Defendants via the U.S. mail, Plaintiff justifiably relied upon representations that they were acting as her attorneys to protect her legal rights.

113. Defendant Bowman has executed hundreds of similarly misleading contracts with consumers in Virginia.

114. Between January 2011 and November 2014, Defendant Bowman allowed Morgan Drexen to send through the mail from California to Virginia monthly statements for “Formal Resolution Services” or “Formal Bankruptcy Resolution Services.” Each of those statements deliberately misrepresented Defendant Bowman as Ms. Woodie’s lawyer. Ms. Woodie was also charged a \$1,000 engagement fee on January 5, 2011, for bankruptcy representation that Defendant Bowman had no intention of providing. Ms. Woodie did not need to seek bankruptcy protection.

115. Upon information and belief, Defendant Bowman allowed Morgan Drexen to send similarly misleading monthly statements to hundreds of other victims in the Commonwealth of Virginia.

116. Defendant Bowman sent numerous letters through the mail to Ms. Woodie’s creditors in which he falsely claimed to be her lawyer and to represent her interests. In fact, Defendant Bowman acted in his own interest and in the interest of Morgan Drexen.

117. Between March 2013 and November 2014, Defendant Williamson & Howard, LLP allowed Morgan Drexen to send monthly statements through the mail for “Non-Formal Debt Resolution Services.” Each of those statements deliberately misrepresented Williamson & Howard, LLP as Ms. Woodie’s lawyers.

118. Upon information and belief, Defendants Howard and Williamson and their firm (Defendant Williamson & Howard, LLP) allowed Morgan Drexen to send

similarly misleading monthly statements to thousands of victims across the United States, including hundreds in the Commonwealth of Virginia.

119. Upon information and belief, the Defendants conspired with Morgan Drexen to falsify evidence, specifically bankruptcy petitions, that they had performed bankruptcy-related work on behalf of consumers in the proceedings when in fact they had performed none.

120. Defendant Howard continued to use the mails to perpetuate the charade until the United States District Court for the Central District of California issued an order enjoining him from continuing to do so.

121. Defendants Howard, Williamson, Williamson & Howard, LLP, and Howard Law, P.C. once again committed wire fraud when they created a deliberately misleading website designed to circumvent the permanent injunction of the United States District Court of the Central District of California. Their deliberately misleading website was part of the basis for that Court holding them in contempt. (Ex. D, at D-031.)

122. The Defendants acted in concert against Plaintiff to unlawfully defraud and deprive her of her money under the false pretense that they were her lawyers and were acting in her interests to negotiate her debts with her creditors when, in fact, they were pretending to provide her sham bankruptcy services in order to disguise the fact that they were charging her illegal up-front fees prohibited by state and federal law.

123. As described above, courts and regulators that have scrutinized Morgan Drexen's business model have found that the Network Attorneys performed no real services for the consumers. (*See supra*, ¶¶ 38-53.)

124. Defendant Howard, personally and through his law firms, Williamson & Howard, LLP and Howard Law, P.C., led an enterprise designed to conceal the true nature of Morgan Drexen's abusive and illegal debt settlement activities.

125. In furtherance of the scheme to defraud Plaintiff, Defendant Bowman, personally and through his law firms, utilized wire transfer technology in order to send and receive cash from the Plaintiff's bank account in connection with the fraudulent debt settlement scheme, in violation of 18 U.S.C. § 1343.

126. Defendants used the mail and wires to deliberately mislead Plaintiff into believing that she was hiring lawyers when they had no intention of acting as her lawyers. At the same time, the Defendants deliberately concealed from Ms. Woodie the true nature of their relationship with Morgan Drexen. They misrepresented Morgan Drexen as their agent — a provider of office support — when in fact the Defendants served Morgan Drexen and acted at all times in its interest. The Defendants made the same misrepresentations and omissions to hundreds of consumers in the Commonwealth of Virginia and to thousands of consumers across the United States.

127. Plaintiff relied on Defendants' misrepresentations when she executed the two contracts with Defendant Bowman. Plaintiff further relied on the Defendants' repeated misrepresentations in their communications to her (and in communications to her creditors) that the Defendants were acting as her lawyers when she continued to make payments to the Defendants through November 2014. These misrepresentations directly caused the Plaintiff to suffer financial loss.

128. As a result of the Defendants' violations of RICO, as set forth in this Count, Plaintiff has suffered damages and is entitled to an award against the

Defendants, jointly and severally, of treble damages plus costs and attorneys' fees, as set forth in RICO, 18 U.S.C. § 1964(c).

SECOND CAUSE OF ACTION

(Violation of the Credit Repair Organizations Act, 15 U.S.C. § 1679 et seq., against all Defendants)

129. Plaintiff incorporates the allegations in Paragraphs 1-128 above with the same force and effect as if herein set forth.

130. 15 U.S.C. § 1679b(a) of the Credit Repair Organizations Act ("CROA") provides, "No person may . . . (3) make or use any untrue or misleading representation of the services of the credit repair organization; or (4) engage, directly or indirectly, in any act, practice, or course of business that constitutes or results in the commission of, or any attempt to commit, a fraud or deception on any person in connection with the offer or sale of the services of the credit repair organization."

131. The CROA further prohibits credit repair organizations from charging or receiving "any money or other valuable consideration for the performance of any service which the credit repair organization has agreed to perform for any consumer before such service is fully performed." *See* 15 U.S.C. § 1679b(b).

132. At all times relevant to this complaint, Morgan Drexen and its Network Attorneys operated as a "credit repair organization" within the meaning of the CROA because they used instrumentalities of interstate commerce to sell, provide, or perform services, in return for the payment of money, for the express or implied purpose of improving a consumer's credit record, credit history, or credit rating. Morgan Drexen is not a nonprofit organization, a creditor, or a depository institution.

133. Morgan Drexen regularly held itself out as offering a service that would ultimately lead to an improved credit record for its customers. For example, the telephone script used by Morgan Drexen's legal intake specialists instructs them to reassure consumers that participating in the program will improve a consumer's credit. In particular, the manual states: "Once these debts are settled, your attorney will have your creditor issue a letter, showing the account has been paid off! The best thing is even the credit bureaus get a copy of this too. It shows that you did the right thing and amended your relationship with the creditor."

134. Indeed, although the Debt Negotiation Contract signed by Plaintiff states that it is not to be construed as offering to repair her credit, it nevertheless authorizes Morgan Drexen to access her credit report and to use her information to demonstrate "to credit holders and prospective clients the *benefits* achieved through attorney supervised non-formal debt resolution services utilizing outsourced paraprofessionals and paralegals." (Emphasis added.) (Ex. C, at C-004.) Additional paperwork presented to Plaintiff states, "I/We understand that during the course of my enrollment, monthly payments to my/our listed creditors will not be made, and this will be reflected on my/our credit report. *I/We also understand that once I/we have completed the program and the creditors are paid, the creditors are required to report these debts as resolved, paid, or settled so they appear on my/our credit report.*" (Emphasis added.)

135. Defendants violated the CROA by misleading Plaintiff into falsely believing that they were representing her interests, that Morgan Drexen worked for the Network Attorneys and not the other way around, that together they and Morgan Drexen could eliminate her debts "in no time," and sometimes "immediately" after consumers

signed up for the program, that completing the program would result in an improved credit record, and by failing to tell her that her Social Security income was exempt from collection and that she had nothing to fear from creditors.

136. The Defendants further violated the CROA by charging and receiving forbidden up-front fees before providing any meaningful services to Plaintiff.

137. Finally, the Defendants failed to provide Plaintiff with the disclosures required by 15 U.S.C. § 1679c.

138. As more fully set forth above, Morgan Drexen and the Network Attorneys have engaged in an intentional and prolonged effort to construct intricate and confusing business models designed to fool regulators and evade liability under various consumer protection laws. (*See supra*, ¶¶ 23-37.) To the detriment of tens of thousands of consumers nationwide, the Defendants have persisted in their efforts to extract illegal fees from consumers despite numerous rulings by state courts that the scheme violates consumer protection regulations, including a 2014 ruling by a West Virginia trial court that Morgan Drexen is a credit services organization, and that it violated West Virginia's Credit Services Organization Act — the state's analog to the federal CROA — by purporting to improve credit without qualifying that it can be done only if a consumer's credit history is inaccurate or obsolete.

139. By reason of the aforesaid violations of the CROA, the Defendants are liable to Plaintiff for actual damages including emotional distress damages, punitive damages, and reasonable attorneys' fees.

THIRD CAUSE OF ACTION

(Fraud, Intentional Misrepresentation, and Deceit against Defendants James E. Bowman, The Law Office of James E. Bowman, PLLC, and FerrisBowman, PLLC)

140. Plaintiff incorporates the allegations in Paragraphs 1-139 above with the same force and effect as if herein set forth.

141. Defendant Bowman, acting with and through Morgan Drexen and his law firms, committed common law fraud under Virginia law when he intentionally, knowingly, and materially misrepresented the nature of his services to Plaintiff by misleading her into believing that he was representing her interests, that Morgan Drexen worked for the Network Attorneys and not the other way around, that together he and Morgan Drexen could eliminate her debts “in no time,” and sometimes “immediately” after consumers signed up for the program, and that completing the program would result in an improved credit record. These misrepresentations were willful and material and Ms. Woodie relied on them to her detriment.

142. The above-named Defendants further committed common law fraud by deliberately omitting to inform Ms. Woodie that her Social Security income was exempt from collection by her creditors. Defendant Bowman — a lawyer who purports to help consumers negotiate their debt — deliberately failed to disclose this material fact because Ms. Woodie would not have needed the Defendants’ “services” if she knew that she had nothing to fear from her creditors’ lawsuits. The above-named Defendants deliberately concealed the truth from Ms. Woodie in order to induce her to pay him to negotiate with her creditors on her behalf and to pay the up-front fees required by the Bankruptcy Contract.

143. Defendant Bowman fraudulently and repeatedly promised to be Ms. Woodie's attorney and to protect her legal rights. Whenever Defendant Bowman returned one of Ms. Woodie's frequent calls to his office, he would assure her that he was working on settling her debts. In truth, he was not acting to protect her legal interests but to line his own pockets by collecting illegal fees.

144. Defendant Bowman fraudulently misrepresented the nature of his relationship with Morgan Drexen, repeatedly describing Morgan Drexen as an "outside company" that performs "non-legal services" under attorney supervision, when, in fact, the Network Attorneys performed little or no work for the consumer and exerted little control over Morgan Drexen.

145. The above-named Defendants, acting with and through Morgan Drexen, fraudulently promised that Morgan Drexen could eliminate Plaintiff's debts "in no time," and sometimes "immediately" after consumers signed up for the program. After 46 months in the program, Morgan Drexen had settled only two of Ms. Woodie's debts. She had been sued by two of her remaining creditors, and according to her creditors, she still owed approximately \$11,883.90.

146. Defendant Bowman misled Plaintiff into believing that her credit record would improve over time once she completed the program. In fact, her credit report shows that Plaintiff was making minimum payments on her debts before she entered the program and had few blemishes on her credit report. At the Defendants' instruction, she stopped making payments to her creditors; thus, participating in the Defendants' program destroyed her credit rating.

147. The Plaintiff reasonably and justifiably relied on Defendant Bowman's intentionally misleading statements, as described above, and continued making payments she could not afford for five years, totaling \$8,525.00 over 46 months.

148. Plaintiff was harmed by her reliance on the willful, wanton, and malicious misrepresentations and fraudulent acts of the Defendants named in this Count, and is entitled to an award against the above-named Defendants, jointly and severally, of actual and punitive damages.

FOURTH CAUSE OF ACTION

(Violation of the Virginia Consumer Protection Act, Va. Code Ann. § 59.1-207, against all Defendants)

149. Plaintiff incorporates the allegations in Paragraphs 1-148 above with the same force and effect as if herein set forth.

150. The Defendants are suppliers providing goods or services under Va. Code § 59.1-198 and § 59.1-200.

151. The Defendants, individually and in concert, violated the Virginia Consumer Protection Act ("VCPA") by, *inter alia*, using deception, fraud, false pretense, false promise, or misrepresentation in connection with a consumer transaction, in misrepresenting the nature of their services to Plaintiff by misleading her into believing that they were representing her interests, that Morgan Drexen worked for the Network Attorneys and not the other way around, that together they and Morgan Drexen could eliminate her debts "in no time," and sometimes "immediately" after consumers signed up for the program, that completing the program would result in an improved credit record, and by failing to tell her that her Social Security income was exempt from

collection and that she had nothing to fear from creditors. These misrepresentations were willful and material.

152. Because of the Defendants' affirmative misrepresentations about their role as Ms. Woodie's lawyers, their active encouragement to continue paying them in order to avoid bankruptcy, and their concealment of unlawful fees and charges by issuing two sets of account statements, Plaintiff did not become aware of the true nature of her relationship with those pretending to be her attorneys until sometime in November 2014.

153. The Defendants designed and perpetrated this scheme in an attempt to avoid compliance with state and federal regulation and in order to increase the profitability of their business model.

154. As a result of willful violations of the VCPA by the Defendants as set forth above, Plaintiff has suffered substantial damages and is entitled to an award against the Defendants, jointly and severally, of the greater of treble her actual damages or \$1,000, and costs and attorneys' fees, as set forth in the VCPA, Va. Code § 59.1-204.

FIFTH CAUSE OF ACTION

(Conspiracy to commit Fraud and violate the Virginia Credit Counseling Act, Va. Code Ann. § 6.2-2000 et seq., and Virginia Consumer Protection Act, Va. Code Ann. § 59.1-207, against all Defendants)

155. Plaintiff incorporates the allegations in Paragraphs 1-154 above with the same force and effect as if herein set forth.

156. The Defendants conspired to create a combination of two or more persons to accomplish an unlawful purpose, or to accomplish a lawful purpose by unlawful means, resulting in damage to the Plaintiff.

157. This Count alleges and incorporates by reference the elements of fraud alleged in Counts One, Three, and Four of this Complaint.

158. The Defendants engaged in the business of providing or offering to provide a debt management plan within the meaning of the Virginia Credit Counseling Act (“VCCA”) because they provided or offered a program whereby a person agrees to engage in debt pooling and distribution services on behalf of a consumer. *See* Va. Code § 6.2-2000.

159. The Defendants conspired to violate the VCCA by engaging in the business of providing a debt management plan to consumers without first obtaining a license from the State Corporation Commission as required by Va. Code § 6.2-2001.

160. The Defendants further conspired to violate the VCCA by using or causing to be published an advertisement that contains false, misleading, or deceptive statements. *See* Va. Code § 6.2-2017.

161. As a result of willful violations of the VCCA by the Defendants as set forth above, Plaintiff has suffered substantial damages and is entitled to an award against the Defendants, jointly and severally, of reasonable attorney fees, expert witness fees, and court costs.

162. Any violation of the VCCA is a prohibited practice under the Virginia Consumer Protection Act (VCPA) and subject to any and all of the VCPA’s enforcement provisions. Va. Code § 6.2-2025. A violation of the VCCA is a violation of the VCPA. Accordingly, Plaintiff is also entitled to an award against the Defendants, jointly and severally, of the greater of treble her actual damages or \$1,000, as set forth in the VCPA, Va. Code § 59.1-204.

163. The Defendants conspired to commit fraud and violate both the VCPA and VCCA by combining their actions to unlawfully perpetrate a predatory scheme to trick Plaintiff into believing Defendants were her attorneys and agreeing to pay them for their services. At the same time, Defendants concealed from her that she did not need their services because her Social Security income was exempt from collection. The Defendants designed and perpetrated this scheme in an attempt to avoid compliance with state and federal regulation and in order to deprive her of her income and to increase the profitability of their business model.

164. The Defendants' combined actions were willful, wanton, and malicious, and have harmed the Plaintiff. Plaintiff has suffered substantial damages as a direct result of the Defendants' actions in furtherance of the conspiracy. Plaintiff is entitled to an award against the Defendants of actual and punitive damages.

SIXTH CAUSE OF ACTION

(Unjust Enrichment against all Defendants)

165. Plaintiff incorporates the allegations in Paragraphs 1-164 above with the same force and effect as if herein set forth.

166. The Defendants enjoyed a benefit conferred upon them by Plaintiff in the form of monetary property.

167. The Defendants did not provide adequate debt relief or bankruptcy services in exchange for the monetary benefit conferred upon them by Plaintiff.

168. The Defendants were unjustly enriched at the expense of the Plaintiff when they knowingly accepted her monetary property without returning adequate services.

169. Plaintiff is entitled to equitable relief and damages as a result of the unjust enrichment of the Defendants at Plaintiff's expense.

SEVENTH CAUSE OF ACTION

(Legal Malpractice against all Defendants)

170. Plaintiff incorporates the allegations in Paragraphs 1-169 above with the same force and effect as if herein set forth.

171. The gravamen of the preceding causes of actions is that the Defendants deliberately deceived Ms. Woodie into believing that they would act as her lawyers, when in truth they intended to act against her interests in order to enrich themselves. Ms. Woodie believed that she had an attorney-client relationship with Defendant Bowman and associated law firms, however, none of the Defendants ever intended to act as her lawyers and instead knowingly set out to deceive her. This Seventh Cause of Action of legal malpractice is brought in the alternative in the event that the Court finds — notwithstanding the evidence of the Defendants' fraudulent scheme — the existence of a valid attorney-client relationship.

172. If the Court finds the existence of an attorney-client relationship, then Defendants had a duty to act in Ms. Woodie's interest. Defendants breached that duty by deliberately deceiving Ms. Woodie into paying for bankruptcy services that she did not need and that they did not perform in order to collect illegal up-front fees. The Defendants' breach of their duty to Plaintiff caused her to suffer significant financial loss.

RELIEF REQUESTED

WHEREFORE, Plaintiff respectfully prays that this Court:

- a. Assume jurisdiction of this case, including jurisdiction of the state law claims asserted herein;
- b. Find that the Defendants violated RICO and the VCPA, jointly and severally, and award Plaintiff treble damages pursuant to RICO, 18 U.S.C. § 1964(c), and Va. Code §§ 59.1-204;
- c. Find that the Defendants violated the CROA, jointly and severally, and award Plaintiff actual damages pursuant to the CROA, 15 U.S.C. § 1679g;
- d. Award Plaintiff actual damages for fraud and conspiracy;
- e. Award Plaintiff punitive damages for fraud, conspiracy, and pursuant to the CROA, 15 U.S.C. § 1679g;
- f. Award Plaintiff interest on the above amount at 6% per annum beginning in November 2010 through the date of the judgment;
- g. Award Plaintiff her costs and any attorneys' fees incurred by Legal Aid Justice Center and Hughes Hubbard & Reed LLP in this proceeding; and
- h. Award such other relief as the Court may find just and equitable.

Dated: October 30, 2015

Respectfully submitted,

s/ James H. Boykin

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